



Women are not the gentle sex, Bel Mooney, page 11

### Lowest rise in incomes for 10 years

Personal incomes rose less in the first quarter of this year than at any time in the past 10 years, according to figures published yesterday by the Central Statistical Office (Our Economic Editor writes).

The biggest factor depressing incomes was unemployment. Wages and salaries account for 60 per cent of all personal income and although the average earnings of the employed rose over the year to early 1981 by 161 per cent, this was counteracted in the first quarter by a fall in employment of 5 per cent leaving a net rise in total incomes of less than 1 per cent.

Living standards fell by 14 per cent, but despite this, people dipped deeper into their savings to create a small consumer boom. The level of consumer spending went up by 11 per cent in real terms, while the ratio of savings to after-tax income, which had reached 17 per cent in the summer of 1980, went down to 14 per cent.

Wholesale prices up, page 17



### Mother Teresa condemns fast

Mother Teresa of Calcutta on a visit to Northern Ireland, condemned the IRA hunger strike as an act of violence. "We have no right to destroy the beautiful gift of God, life," Mother Teresa, who was awarded the Nobel peace prize for her work feeding the poor in India, was visiting a religious festival at the Corrymeela centre near Ballycastle. She said that anyone who destroyed life, whether it was their own or another person's was committing an act of violence. "I see many people dying of hunger because they do not have food, I deal with people who are hungry because they have not got food, but I have never dealt with people who are hungry because they choose to be hungry," she said.

### 30 patients test interferon

Thirty patients at St Bartholomew's Hospital, London, are being treated with interferon, the drug thought to destroy cancer cells. Doctors conducting a clinical trial have discovered that patients can accept massive doses, far higher than those administered elsewhere in the world, without the drug producing unacceptable side-effects.

### GLC threatens to resign

The Labour-controlled Greater London Council would resign to seek a new mandate rather than accept the Government's 'imposed ceiling on its rates', Mr Kenneth Livingstone, the council leader, said yesterday. "Voters would have to support us or sack us," he said.

### Kidnapped oil man killed

The body of Signor Giuseppe Taberco, a petrochemical plant manager kidnapped by the Red Brigades in the boot of a car parked at Mestre, on the Venice lagoon, he had been shot 14 times.

### Stalemate in the Gulf

After 10 months of war between Iran and Iraq, there is little sign of the conflict ending. The Iraqis, who wanted a swift victory, are thought to have control of Kharranah, but they have made little advance against Baghdad.

### Dayan emerges as key figure

Mr Moshe Dayan, the former Israeli Foreign Minister, has emerged as a key figure in negotiations to produce a new coalition government with a working majority in the Knesset. Mr Menachem Begin is now officially expected to continue in power.

### Civil Service left seeks £10 a week

Left wingers in the Civil Service are trying to persuade their leaders to approach the Government with an offer to accept a 10-week increase for all nine-collar civil servants, a 13 per cent rise for lower grades.

## Leader of Liverpool council wants troops on stand

**By Staff Reporters**

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Fears of renewed violence in Liverpool last night led to a call from Sir Trevor Jones, Liberal leader of the city council, for the Army to be placed on standby to protect the riot-scarred city.

Sir Trevor, whose request to Mr William Whitelaw, the Home Secretary, was relayed by Mr David Alton, Liberal MP for Edge Hill, said he had been "besieged" with pleas for Army protection from councillors and members of the community in Toxteth.

Sir Trevor said: "It is a legitimate request. If the police cannot cope, as quite clearly they have not been able to, then the military should be available to protect the city centre."

The Home Office confirmed last night that a request had been received from Liverpool City Council for troops to be placed on standby to help the police in case of renewed violence.

But Mr Whitelaw, the Home Secretary, has not given permission. The constitutional procedure is that the Home Secretary will be guided by the chief constable on the spot.

If the chief constable says his men cannot cope with the disorder, the Home Secretary will send in troops. But Mr Kenneth Oxtford, the Chief Constable of Merseyside, is confident his men can control the situation.

Tension remained high in the Toxteth area of Liverpool last night, but apart from the breaking of a few shop windows, there had been no serious incidents.

Liverpool began to count the cost yesterday of a weekend of looting, burning and destruction described by most observers as unprecedented in a major British city in peacetime and culminating in the first use of CS gas by police on the mainline.

Shopkeepers, some of whom guarded their property with weapons against gangs of

masked looters, were appalled by the wreckage that confronted them at first light yesterday.

According to police, 186 officers were injured in the rioting and last night, 30 remained in hospital, with a fractured skull. Seventy people were arrested and 59 people appeared in court yesterday charged with offences ranging from theft to causing grievous bodily harm and possessing offensive weapons. Hospital authorities said 260 people received medical treatment over the weekend.

As controversy also broke out in the Commons yesterday over a Young Socialist leader calling for the immediate release of those arrested and the dropping of charges against them, it was disclosed that one of the contact telephone numbers on the leaflet belonged to Mr Terry Harrison, a leading member of the Militant Tendency and prospective parliamentary Labour candidate for Edge Hill.

The leaflet has been widely distributed in Toxteth but Mr Harrison was not available for comment.

Rioters looted a hospital and prevented medical aid getting through to pregnant women "screaming for help", Liverpool Area Health Authority said yesterday.

The authority's report on the violence said the looting began

after 100-odd people gathered in the Toxteth Park and St Joseph's Hospital because they were in danger.

Immediately after the hospital was emptied and looted, up to 100 people broke in and looted patients' lockers.

Doctors and ambulance men were refused access to people in need of medical care and an official of the authority said. Heart attack victims in the riot area were deprived of treatment.

Among other extreme incidents which will be discussed at a special meeting of Liverpool City Council on Friday was the commandeering of a range of vehicles, including milk floats, an old fire engine, cement mixers and a scavenger, for use against police.

The police, who denied losing control despite 'toxic' gas, were clearly surprised by the arrogance and ferocity of the rioters, many of them wearing IRA-style balaclava helmets, who appeared to take a delight in rushing to within a few yards of officers behind riot shields before they hurled their missiles.

Although police chiefs spoke of the violence being orchestrated and one shopkeeper said his shop was attacked by a gang of Londoners, there seemed general agreement that most of the rioters were local.

Mr John Givens, aged 35, managed to stop young rioters from looting his electrical shop in Smithdown Road by standing guard outside all night with his wife, armed with an axe and a hammer.

Mr Anthony Marlow, Conservative MP for Northampton, North tabled a Commons motion yesterday calling for the introduction of a 'Bill of Rights' (the last was repealed in 1967) and establishment of a special riot squad.

Whitelaw defends use of CS gas against rioters

**By Hugh Noyes, Parliamentary Correspondent, Westminster**

Mr William Whitelaw, the Home Secretary, told the Commons yesterday that violence of the kind seen in Liverpool and London at the weekend could not be tolerated. The Labour Party, he said, was "in a free fight" with the Government's leader to ensure that people were adequately protected.

Members on both sides of the House listened anxiously as he spoke of "the new ferocity of the violence" which in Toxteth, Liverpool, resulted in the decision by the Chief Constable of Merseyside to use CS gas for the first time in mainland Britain.

To cheer from the Tory benches, he said that the Chief Constable had had no alternative to using CS gas, and he was totally right in making that decision. Because of the new scale of violence, the police would be issued with better protective headgear and fire-resistant clothing.

Over the weekend 355 police were injured, and 52 of those treated on Sunday night after the Toxteth rioting are still in hospital. There were 108 arrests in Southall and Toxteth.

Mr Whitelaw said that in Liverpool particularly, the police were attacked with extraordinary ferocity. Chief officers would have full support in taking positive action when necessary.

The Commons should be given an opportunity to debate the events before the House rose for the summer recess, but he appeared to reject any suggestion of a vote on the police already had sufficient powers to deal with those situations.

He also ruled out demands for further reports aimed at discovering the causes of the violence. The time had now come for action, and Lord Scarman's investigation into the Brixton riots and the Home Office inquiry into racial violence should provide adequate information.

Mr Alton asked Mr Whitelaw what action he would take against those who had circulated the pamphlet.

It was immediately disowned by Mr Eric Heffer, MP for Liverpool, Walton and chairman of the organization committee of Labour's National Executive Committee. He told Mr Alton: "It is totally untrue that it was issued by the Labour Party."

He had asked for a copy, so that the NEC could investigate.

The pamphlet is headed: "Labour Party Young Socialists". It says that it was printed and published by Merseyside Labour Party Young Socialists, and it invites anyone in trouble to telephone one of three numbers, which the first is Mr Terence Harrison's home.

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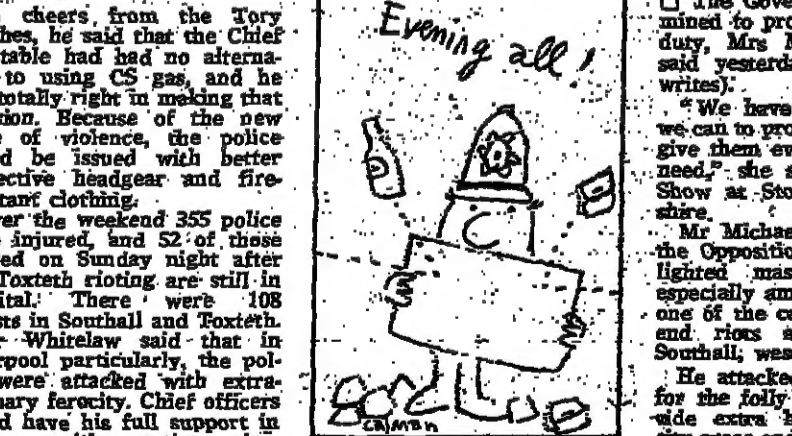
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## Heffer disowns pamphlet attacking police

MPs were shocked and surprised when Mr David Alton, the Liberal MP for Liverpool, Edge Hill, produced a leaflet during yesterday's Commons debate defending those arrested during the riots and calling for the dropping of all charges.

The pamphlet calls for a one-day general strike to bring down "the vicious Tory Government whose policies inevitably lead to violence."

Mr Alton said that it had been circulated in the Toxteth area, that it was printed and published at the headquarters of Liverpool Labour Party, and that the telephone number on it was that of Mr Terence Harrison, the prospective Labour candidate for Edge Hill and a member of Liverpool city council.

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Police breaks: A policeman stands guard in Upper Parliament Street after the second night of violence.

## Carrington snub at Moscow talks

From Michael Binyon, Moscow, July 6

The Russians today all but rejected Lord Carrington's proposal for a two-stage international conference on Afghanistan, describing his plan as unrealistic. He said afterwards he was disappointed but not surprised by the Soviet response.

The Foreign Secretary spent two hours this morning outlining the proposals put forward in the name of the European Community to Mr Andrei Gromyko, the Soviet Foreign Minister. But Mr Gromyko told him that they were unrealistic in their present form, criticising in particular the suggested composition of the conference and the exclusion of Afghanistan from the first phase.

Lord Carrington explained that the proposals had been drafted to take account of the Soviet position and that he found them objectionable. He said that the role of the problem was the Soviet intervention in Afghanistan which was ignored by the Russians. His proposals aimed to end all outside intervention.

Looking tired and rather disappointed after five hours of talks, the first he held in Moscow since becoming Foreign Secretary, Lord Carrington indicated he had made little headway. The Russians refused to put forward any counter-suggestions or amplify his proposals. But both sides had agreed to continue their dialogue, which Lord Carrington said would definitely include the subject of Afghanistan.

He said his plan was a serious proposal and one supported not only by Britain. He hoped the Russians would reflect on it and consult other countries as it offered the best hope of a negotiated settlement which the West wanted and which the Russians said they wanted.

The proposals still lay on the table. The next stage was for Lord Carrington to consult his European colleagues. He was going to leave Moscow for talks with Signor Emilio Colombo, the Italian Foreign Minister.

Lord Carrington said he hoped to talk with Mr Gromyko on the matter again in September at the United Nations.

The Russians made it quite clear in press statements that they had little interest in Lord Carrington's proposal, and today *Pravda* pointedly carried a report critic-

## Fears of MLR rise as Bank forces up short-term rates

By Our Business News Staff

The Bank of England made it clear through its money market operations yesterday, that it is prepared to accept a higher level of short-term interest rates. But there was no sign that this was a prelude to a possible increase in the minimum lending rate later this week.

In a rarely used move, the Bank forced discount houses to borrow from it for seven days at a rate above its 12 per cent minimum lending rate.

News of the Bank's action immediately sent money market rates, which had been rising for most of the day, higher still. The three month interbank rate, which had been traded about 12 1/2 per cent for most of last week, touched 13 per cent, and dealers were talking of a probable opening level nearer 13 1/2 per cent this morning.

The pound was boosted from the start of trading by the rising market rate, although it fell to a low of \$1.8780 at one point after operators felt it was overvalued in terms of Corbin currencies.

Sterling's rise against the European currencies is bound to prompt renewed calls for Britain's early full participation in the mechanisms of the European Monetary System to stabilize its value.

Mr Nigel Lawson, Financial Secretary to the Treasury, in answer to a parliamentary question yesterday, said that a more stable exchange rate against EEC currencies would benefit the United Kingdom in the correct conditions.

Market dealers went home in a state of some confusion last night, not knowing precisely

what level of interest rates the authorities now consider appropriate.

Although the view may well be that they are doing no more than bringing day-to-day rates into line with market rates for rather longer periods there was no doubt in the markets that the Bank's action was intended as a deliberate signal that the authorities would seek to defend sterling by raising interest rates if they felt it necessary.

Government sources have strongly denied weekend press reports that there has been a change of official view on the need to tailor policies on interest rates and foreign exchange intervention to influence the exchange rate. But the reports have made for considerable uncertainty.

This was reflected in the gilt-edged market where long dated stocks fell by as much as 11. The thought that the Government might attempt to hold up the exchange rate to defend its gains over inflation was outweighed by the consideration that higher interest rates might now be needed in the short term to achieve this.

Whether the Government is thinking in terms of raising MLR immediately remains to be seen. It may simply be content to allow money market rates to rise instead of MLR itself.

In the foreign exchange market the dollar was the centre of interest. It soared to a five-year high against the Deutsche mark at DM 2.4502 and reached its highest level for 23 years against the French franc at FF 5.8050 to the dollar.

## Warrington almost had a third Roy Jenkins

By Frank Johnson

When nominations closed yesterday for the Warrington by-election there were two candidates named Roy Jenkins, both standing as social democrats.

Earlier in the day a potential third Roy Jenkins was sighted. A man told reporters he intended to stand, but failed to make his threat, so that on July 16 the voters of Warrington who want to vote for a Mr Jenkins, will have a choice of only two.

One of them had changed his name by deed poll in Manchester that morning. The other had borne the name all his life, though not always as a social democrat.

The two Jenkins were only the most notable aspect of a list of candidates, picture-seen even by the standards of highly publicized by-elections.

The "deed poll" Jenkins was not, as originally expected, Mr Anthony Keane, the Manchester barrister, with a complaint against the Social Democratic Party concerning the copyright of the title. It turned out that he was standing under the name of Mr Keane.

But another Mr Keane also handed in his nomination papers - a Mr Thomas Keane of the Campaign for a Prosperous

Britain. His intention apparently was to spoil the chances of the other Mr Keane in the same way as the "deed poll" Mr Jenkins was allegedly trying to spoil the chances of the more celebrated Mr Jenkins.

For it seems that the "deed poll" Jenkins is known to the Mr Keane who is the Manchester barrister. As if this were not enough, the personal by-election candidate, Commander Books is, of course, standing as a "monarchist-white resident".

For some time the "deed poll" Mr Jenkins, who asked his real name, kept on replying perfectly truthfully: "Roy Jenkins." Eventually, he disclosed that he was previously Mr Douglas Parkin and worked with an organization for homeless people in Leeds.

Of the other Mr Jenkins, he said, grimly: "I don't like him." This, it seems, was his motive for standing. But he would not keep the name after the campaign. "I don't like it. It's not my style."

He wore blue check trousers, blue tee-shirt, and hair over his shoulder.

The original Mr Jenkins's Continued on back page, col 7

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## Interferon trials find patients can accept huge doses

By Annabel Ferriman, Health Services Correspondent

A total of 30 patients in Britain are now being treated with interferon, a drug thought to destroy cancer cells. The patients, all at St Bartholomew's Hospital, London, are taking part in a clinical trial financed by the Imperial Cancer Research Fund with supplies being provided by the Wellcome Foundation.

Details of the trial have not been released until now because the fund does not want to raise people's hopes before the drug's effectiveness is proved.

Many cancer experts were besieged by demands for the drug after a doctor in Glasgow announced last year that it had proved useful in treating two cancer patients there. Both subsequently died.

Patients at St Bartholomew's are being treated with massive doses of the drug, far higher than anywhere else in the world. They are being given 400 megaunits a day compared with 20 megaunits a day in trials in the United States.

Doctors have found that these doses are possible, without producing unacceptable side effects, when the drug is given by continuous intravenous infusion rather than by injection.

A course of treatment, lasting between five and 10 days, costs between £10,000 and £20,000, and the progress of the patient's disease is subsequently carefully monitored.

Most of the patients, who

are in the forties and fifties, are suffering from acute myeloblastic leukaemia, a severe form of leukaemia in which the blood's white cells, used for fighting infection, do not mature properly and in which immature, useless white cells proliferate.

The study, being conducted by Professor James Malpas, director of the fund's Medical Oncology Unit at St Bartholomew's, is being hampered by lack of beds and staff.

The City and East London Area Health Authority has reduced the number of cancer beds at the hospital by four, from 28 to 24, and has reduced the number of department staff by one consultant physician. London University has also reduced the number of university staff in the oncology department at the hospital by one, and is reducing it by two more next year.

Consequently only one or two new patients can be treated each week. A total of 150, including some children, will have been treated by the time the trial is finished in 1983.

□ "No one now believes that interferon is going to transform the treatment of cancer in the foreseeable future (Our Medical Correspondent writes).

What seems likely is that it is going to prove a valuable addition to the range of anti-cancer drugs since it is fundamentally different from those in current use.

## AA dispute the accuracy of police radar guns

By Peter Waymark, Motoring Correspondent

Radar guns used by the police to check vehicle speeds can be upset by radio interference, according to tests by the Automobile Association.

The AA says the guns should be modified to reduce or eliminate the interference. The tests were on an unmodified Mini 1000, the gun in most common use by the police, and the MPR K-15. The AA says: "There are thousands of radio transmitters, many of them in cars, operating on frequencies which could cause interference."

The Association of Chief Police Officers yesterday stood by its recent statement that hand-held radar devices were accurate when operating in accordance with instructions.

The association's traffic committee, chaired by Mr Charles McLachlan, Chief Constable of Nottinghamshire, ordered an inquiry into the operation of radar guns after a court case in March.

Upholding an appeal by a motorist against a speeding conviction at Newport Crown Court, Gwent, Judge Charles Fitchford recommended safeguards to be adopted by police using radar equipment. Among these were that officers should test the site for sources of possible radio interference and make sure that their own radios were not being used.

The Association of Chief Police Officers replied that both measures were already part of police practice.



Heavy make-up for Clinton Gibson, aged nine, of Oxford Gardens School, Kensington.

## Schools' do-it-yourself arts show

By Alan Hamilton

The reedy piping of madrigals took wing in the warm, windy air of the South Bank, in London, yesterday, only to be smothered by the combined opposition of a brassy rendering of Tuxedo Junction and the iron drum-roll of trains crossing Hungerford Bridge.

Two thousand children from Inner London Education Authority schools were displaying their creative skills in the second "Schools on the South Bank" festival, which continues until Friday with a new cast every day, each from a different ILA district. The open-air, end-of-term entertainment was tried for the first

time last year, and promises to become an annual event.

Any ILA school may send a group, a class or even the entire register, to demonstrate to each other and to itinerant office workers their artistic accomplishments. Yesterday the musical offerings were supplemented by a display of antipodean baton-throwing by a troupe of diminutive and lily-white Maoris from Fulham, a topical pageant of Weddings Around the World, and an art gallery that covered the railings from County Hall almost to Waterloo Bridge.

The event gives thousands of demob-happy children, their concentration waning with the

approaching end of term, a day out at minimal cost. At the same time it brings life and colour to the arid concrete boulevard of the South Bank. Children, not yet having attained the age of unemployment, displayed a racial harmony which has been missing elsewhere in recent days. The Henry Compton School Swing Band was performing Tuxedo Junction with a much more racially mixed line-up on trumpet and alto saxophone than Glenn Miller ever displayed, and the Wedgwood School steel band had one white drummer in its otherwise West Indian complement.

## Doctor accused of killing by overdose

A Harley Street doctor's extreme negligence killed a patient who he was treating for warts, it was alleged at the Central Criminal Court yesterday.

Dr Gordon Kells, aged 36, of Devonshire Mews, Marylebone, has denied unlawfully killing Mr Leslie Holt, aged 42, on September 13, 1979.

Mr David Tudor Price, for the prosecution, said: "Mr Holt, an antique dealer, of Blenheim, Dyfed, South Wales, had gone to Dr Kells to have warts removed from his feet. The Crown says that Dr Kells, in carrying out a normally simple routine treatment, was so grossly negligent that he killed his patient."

"Every one of us, including a professional man, is capable of making a momentary slip which can have disastrous or even a fatal result. But we say this is not a case of a professional man making that kind of error that carelessness can produce."

Mr Tudor Price told the jury that Dr Kells' conduct "reached such an extreme of negligence that it can be categorized as criminal."

Mr Tudor Price told how an ambulance crew had received an emergency call from Dr Kells's surgery.

The ambulance driver said that when he arrived Mr Kells was lying on an examination couch and had ceased to breathe.

According to the Crown, Dr Kells explained that, in the course of removing a wart from the man's foot, he had given him a quantity of Valium.

According to the ambulance man they had tried, with Dr Kells, to revive the patient, using a special tube, but Mr Tudor Price alleged, "Dr Kells was in such a state of agitation that he put the tube in the wrong place and he ambulance man had to ask the doctor to reposition it."

Mr Holt was taken to University College Hospital, where the hospital registrar, Dr Winner, managed to get his heart restarted. By that time Mr Holt had suffered extensive brain damage, Mr Tudor Price said.

Mr Holt was kept technically alive by artificial means until September 25 when, as a result of pneumonia, even the artificial means failed and he was declared dead.

Mr Tudor Price went on: "Dr Kells had told the registrar and the consultant he had injected Valium into the vein."

"The prosecution case is that he had not done so; in fact he had injected a very considerable overdose of a fast acting anaesthetic drug called methohexitone."

Dr Kells must have known he used methohexitone and that meant he lied in saying he had used valium Mr Tudor Price said.

"One answer, perhaps, may be that Dr Kells knew it was totally improper to have given an intravenous injection of methohexitone. He appeared to have given a considerable overdose, probably as much as ten times the accepted anaesthetic dose.

The hearing continues.

## BBC union condemns world service cuts

By Kenneth Gosling

As the number of MPs signing the all-party Commons motion condemning the cuts in the BBC's external services rose yesterday to 34, the main broadcasting union issued the text of a letter to the Prime Minister describing the economies as irrelevant, unnecessary and damaging.

Mr D. A. Hearn, general secretary of the Association of Broadcasting and Allied Staffs, told Mrs Margaret Thatcher the issue was the survival of the BBC as a major international broadcaster. He described the Government's suggestion that the choice was between having 33 language services that were audible and 40 that were as facile and misleading.

Last month the Government announced cuts to seven language services and the BBC's transcription service, adding that more money would be made available for the transmitter programme. The total saving would be £3m.

Mr Hearn said: "The ABS has warned repeatedly of the damage to the transmission system that must result from the repeated cuts in the capital expenditure plans of the external services forced on the BBC by governments in the last few years."

"The 'increases' in capital expenditure now proposed by

the Government amount at best to the reinstatement of the capital programme which was cut in 1979."

It was, he said, replacement money rather than expansion money; it was needed to replace worn out plant and would not allow for improvements in the audibility of programmes in several key audience target areas.

In an English language broadcast at the weekend Moscow Radio referred to Britain, to the involvement of The Times, and in particular to a letter from Mr John le Carré, the suggestion that the choice was between having 33 language services that were audible and 40 that were as facile and misleading.

There are to be more parliamentary moves to oppose the cuts. Lord Strabolgi, the Labour peer, is to raise the matter in the Lords today and Mr Greville Janner, Labour MP for Leicester, West, a co-sponsor of the Commons motion, is to introduce a Bill under the 10-minute rule on July 21 calling for a royal commission into the external services.

Mr Francis Pym, Leader of the Commons, has already rejected a call for a debate.

## Woman wins right to stay in UK

An Asian woman has won a two-year battle against the Home Office to be allowed to remain in Britain.

Mrs Nasira Begum was told yesterday by an immigration appeals tribunal that it had rejected an appeal from the Home Office that she should be deported.

Mrs Begum, aged about 30, first came to Britain in 1976 and soon after that her brother arranged a marriage for her to Mr Mohammed Afzal, a Pakistani supermarket proprietor in Manchester, with British nationality.

He applied for her to be allowed to stay but the marriage lasted only three months. In 1979 the Home Office refused her leave to remain because it considered she had married only for convenience. It also alleged that her husband was already married at the time of the wedding.

It ordered her deportation, but she appealed and an adjudicator ruled in her favour. The Home Office appealed against that ruling but now an appeals tribunal which heard the Home Office appeal has ruled in her favour.

Yesterday her MP, Mr Gerald Kaufman (Manchester, Ardwick) said: "Following the decision of the immigration appeals tribunal in favour of Mrs Begum, I am writing to the Home Secretary asking him for two assurances."

"Firstly, I am asking for assurance that he will now give assurances that the husband Nasira is not, and that there will be no further attempts through the courts to deprive her of her established right to remain in this country."

"Secondly, I am seeking assurance that she will now be allowed to remain in this country."

Mrs Begum's case received widespread publicity and led to demonstrations in her support.

## BABY LEFT TO STARVE TO DEATH

From Our Correspondent, Manchester

Christopher Breeze, aged nine months, starved to death when he and his brother were left alone by their parents, Manchester Crown Court was told yesterday.

He was left without food for five days in an unlit, unheated bedroom, Mr Michael Shorrocks, for the prosecution, added.

When ambulances went to the house, having been summoned by the boys' grandfather, they found flies swarming around Christopher's body and maggots on the mattress where he lay dead.

His brother Barry, aged 19 months, had not been fed for three days and the skin was peeling off his feet.

Barry Breeze, aged 20, and his wife, Doreen, aged 19, of Albany House, Ladywell Estate, Salford, Manchester, admitted the manslaughter of Christopher of Christopher and a charge of cruelty against Barry.

"This has been described as a horrifying story and it is," Mr Justice Forbes commented when he jailed each parent for four years.

"These children were simply forgotten — deliberately overlooked — and your older child was inadequately fed, his elementary hygiene neglected and he was subjected to cold. Your younger child was shut up in a small bedroom without food, light or heat for something like five days, having been inadequately fed for a long time before that. It was gross, irresponsible behaviour."

Mr Shorrocks said that almost every day in the months before Christopher died, the boys would be left alone while their parents went out in the morning and returned late at night.

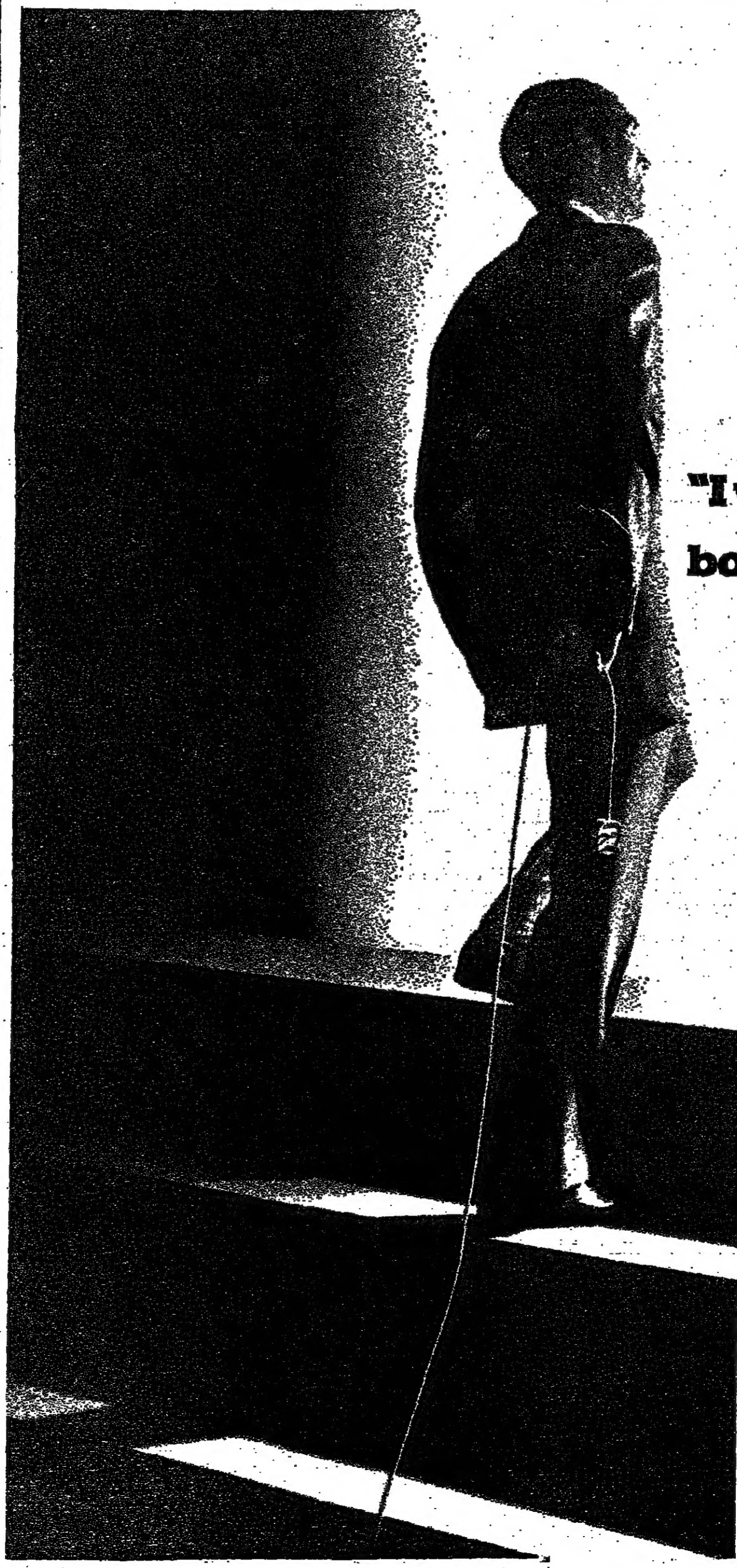
## SANDS MARCHER FINED £100

Alexander Edward Fraser, aged 27, of Greenway Walk, Moss Side, Manchester, a demonstrator on a banned march in support of Robert Sands, the IRA hunger-striker, was fined £100 yesterday for obstructing a police officer.

Magistrates at Willesden, north London, ordered him to pay the fine within 14 days. He admitted obstruction at the rally in Kilburn on April 26.

## COAL TEST SITE

The National Coal Board has given planning permission test drill for coal near Eagle, north of the Belin coalfield, approved as additional on the land being tilled for agricultural use onwards.



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# Toxteth: Daylight reveals the worst riot damage ever seen in mainland Britain



That famous Liverpool landmark the Rialto building, now a smoking shell.



There were buildings in Lodge Lane Toxteth—a scene reminiscent of the blitz.



Hours after the disaster firemen still at work in Upper Parliament Street.



Tesco's in Smithdown Road—after the looters had finished.

Clearing up in the wake of the looters—the victims can scarcely believe what happened.

## The community

### Liverpool counts the cost of chaos

By Nicholas Timmins

A special meeting of Liverpool City Council on the riots has been called for Friday at the request of the Labour group. Typists belonging to Nalco will lift their picket to allow Labour members to attend.

Merseyside county council was yesterday examining the question of compensation for the many businesses who have lost their premises and livelihoods as firemen damped down fires and demolished more than a dozen buildings reduced to shells by fires.

In Lodge Lane, 20 buildings had been set ablaze and seven had either collapsed or had to be demolished. Dozens of shops had been looted, scarcely one remaining undamaged, and the abandoned spoils of looting from food to electrical goods littered the streets. Gas pipelines continued to flare as the air was filled with the crash of buildings being brought down.

Half a mile away a dozen buildings in Upper Parliament Street were gutted, smoking ruins including the 104-year-old Racquet Club where valuable paintings were destroyed.

Alongside, smashed windows were boarded up in the Princes Park Hospital from which elderly patients had to be evacuated when flames from the club threatened to engulf it. Twisted wrecked lampposts, traffic lights and islands littered the road. Three bus shelters were reduced to mangled metal.

Gutted vehicles still smoked. A pool of dry blood could be seen on the pavements. A 21-ton mechanical excavator was being dragged away from Jamaica House, a community bank; it had been used to ram the building. The giant Rialto Centre, which housed a furniture store with half an acre of floor space, was smoking. Its roof and floors had fallen in. A National Westminster Bank opposite was another shell.

Half a mile farther on, in Park Road, half a dozen shops had been fire or looted as dawn came up.

Mr Harold Scruton, Merseyside's assistant chief fire officer, said firemen in Lodge Lane had rescued people from the upper floors of blazing buildings set alight by cars driven into their shop fronts, while looters emptied the shops and fired them. Appliances had

been unable to approach many of the worst blazes in Upper Parliament Street.

In Lodge Lane, some of the few undamaged premises, including a bingo hall, boarded up their windows in anticipation of more trouble.

Mr Brian Lee, aged 31, a Post Office driver and father of two, loaded furniture into a hire van to move out of his ground floor council flat that backs on to the scene of the worst rioting. He had lived happily there for six years but after two sleepless nights, he said he was moving to his mother's flat three miles

landlord of the Croxteth Arms, mounted an all-night vigil with the assistance of 12 of his customers to save the pub from the rioters. They were armed with heavy staves, but none of the mob approached. Mr Croxteth said: "It was like a war. I've never witnessed anything like it in my life."

Fifty-nine people appeared in court in Liverpool yesterday. The accused ranged from juveniles accused of looting to men and women charged with grievous bodily harm and possessing offensive weapons.

Most of them were remanded in custody after spending a night in the city's main Bridewell cells and only those with extraordinary circumstances in their bail applications were released. The courts were sitting until late last night dealing with the hearings.

Reporting restrictions were lifted in the hearing of one coloured youth after Rex Makin, solicitor, had made a submission to the Liverpool Stipendiary Magistrate, Mr Norman Wootton.

John Phillips, aged 20, of Bowfield Heights, Toxteth, was remanded until July 13 charged with possessing petrol bombs with intent to damage or destroy property and possession of petrol bombs with intent to endanger police officers' lives. Counsel for the prosecution said he was arrested after a can of petrol was found in his car.

Mr Makin said that his client had been mistaken for someone else who was throwing petrol bombs. There was no application for bail.

Insurance companies yesterday pledged to deal "as speedily as possible" with claims from people whose property had been damaged in the disturbances at Toxteth and Southall. The British Insurance Association advised people with claims to get in touch at once with their insurance company, broker or agent.

It also urged them to do what they could to make property safe from further loss or damage, and said "reasonable costs for emergency repairs could be included in the claim." The association said almost all household and motor policies and most package policies for small businesses, covered riot and malicious damage. People unable to make claims cheap to make and has sold in the United States at less than £5 a kilo.

Depending on dosage, the effects range from a slight prickling sensation in the eyes and nose to gripping pains in the chest, running nose and coughing which in turn can lead to retching and vomiting. Exposed skin can also be damaged, producing burns.

## The gas that brought terror to an end

By Stewart Tendler

As clouds of CS gas drifted through the streets of Liverpool yesterday morning Merseyside police had made a kind of history. For the first time in mainland Britain a police force was forced to use chemical inhibitors to fight rioting mobs.

A familiar sight in Ulster since 1969, CS gas has been included in the police arsenal since the middle 1960s; but only used in cases such as the 1970s. All police forces stock it in small amounts. The Home Office yesterday said it had been used once or twice a year against gunmen or mentally disturbed people in dangerous confrontations.

A weapon often surrounded by controversy in Ulster, the full chemical name of the gas is 2-chlorobenzalmononitrile, and derives from nothing more sinister than the active ingredient of cayenne pepper and paprika.

The prefix "CS" is taken from the names of two American scientists, Corson and Stoughton, who worked on its development during the last war.

Developed by the British in the 1950s to control public disorder, CS was seen as a riot control agent which "should produce acute symptoms within 30 seconds, and incapacitation within one to two minutes, to such an extent that the rioter

## PC hit by garden spade says: 'It's my job'

From Ronald Kershaw, Liverpool

There were still 30 police officers in hospital last night after the weekend's riots at Toxteth, Liverpool.

One of them, nursing a nine inch gash in his forehead at the Royal Liverpool Hospital, said it was "blatantly obvious" that the rioters were highly organised in their attacks on the police.

Police Constable Michael Eveleigh described a manoeuvre carried out with almost military precision which could have had disastrous results if the police had fallen for it.

He described how a line of 30 police officers in Kingsley Road were first attacked by missiles and makeshift weapons. Three rioters wearing IRA-type masks, then called back the rioters, all aged between 14 and 30 years-old. As they withdrew, the police advanced towards a junction.

"They tried to draw us up past the junction where another mob was hiding, but we held back so they brought them all down in a rush straight at us", PC Eveleigh said.

The constable was wounded in the ensuing battle. He described how a young masked black man sliced between the riot shields with a garden spade.

"I assume it struck me on the forehead", he said.

In fact, the garden spade sliced through his helmet causing a wound that needed nine stitches. Asked if he would go back into a line again, he said simply: "It's my job. That is what I am paid for."

PC Eveleigh, aged 32, is married, with two children. His wife, Mary, who was at his bedside, said: "He's very brave. But I hope nothing like this happens again. It's Mike's job to prevent crime and you always have to live with the fear that something like this might happen."

Police Constable Hanson, aged 32, from Birkenhead, another patient at the Royal Hospital, took up a riot shield in Lodge Lane, Toxteth. He said the police were warding off missiles and holding the line in the road until the rioters rolled a fire engine towards them.

"The safest thing was to move and take cover", PC Hanson said. "That broke up the line and the crowd went berserk. They were pounding on the shields with everything they could lay their hands on. The next thing I remember my helmet was smashed, I fell down and was dragged away by my

colleagues." He also was suffering from head injuries.

After an operation to his head, stitches over his eye and treatment to his leg, PC Paul Marten, aged 25, of Ainsdale, was recovering in hospital last night. He was hit by a slab of concrete. "At one stage I thought I was going to be killed", he said.

PC John Webb, aged 24, of Widnes, a member of the Operational Support Division, had to jump for his life when hijacked cars were started, their accelerators jammed down and the cars aimed at the police.

He was in hospital with head and neck injuries. He described how he was moving up Upper Parliament Street and came under attack from petrol bombs and stones.

"We couldn't see who was throwing because it was dark; but we kept going and that's when the cars were set at us", he said. He was hit by a stone and knocked out.

Mrs Margaret Simey, chairman of Merseyside police committee, defended the police. She said: "The police were a great deal of mutual suspicion and hostility between them and the public in parts of the area."

## Rubber bullets—yes, if need be

Police in Liverpool yesterday said they could not rule out the use of rubber bullets if violence continued to escalate in the streets of the city.

After a weekend of devastation that saw CS gas used on the mainland of Britain against rioters for the first time, Mr Peter Wright, Merseyside Deputy Police Constable, said he did not like the thought of rubber bullets. "Whether we decide to use them on Merseyside is a judgment which might have to be taken eventually."

The gas was used at about 2 am on Monday as police lines were blocking the entrance down Toxteth's Upper Parliament Street to the city centre after a truce had been called to allow 98 geriatric patients at the Princes Park Hospital, caught in the riots, to be evacuated to seven hospitals around the city by a fleet of ambulances and taxis.

As soon as the patients had been moved the street battle

started again. Mr Wright said: "We used between 25 and 30 cans of gas and they had the desired effect. It dispersed the mob at a time when they were becoming a great danger to our containment line."

With Sunday night's toll of injured officers standing at 186, with 43 detained, one with a seriously fractured skull, Mr Wright said there had been 70 arrests.

Mr Wright said that despite the fact that only eight hundred police were in the area, against the thousands available at Birkenhead, and the fact that a large stretch of Upper Parliament Street and Lodge Lane were in the control of rioters and looters during Sunday's seven hours of clashes, he insisted that the police had remained in control.

"Our policy is still containment and if the men sometimes appeared to retreat this was for their own safety. They could do little else when the petrol and

oil on the road under their feet was ignited by petrol bombs."

"At all times the police were in control even though our policy of retreat on occasions might have made it appear that we were being beaten. We were clearing out of areas where the street was littered with bricks."

He appealed to parents to control their children. "These people are destroying their own neighbourhood and it is mainly youngsters throwing bricks as big as your fist at the police. They were obviously doing it for sheer excitement, and I feel sure their parents had no inclination of their whereabouts."

He conceded that police feared a repetition of the violence.

□ The Liverpool Echo called last night for an abandonment of Merseyside Police's policy of containment in favour of what it called "a more positive approach."

## Housing

### The city that tried, perhaps too hard

By John Young

When Mr Michael Heseltine, Secretary of State for the Environment, faces the Commons Select Committee on the Environment today, he may have at the back of his mind an incident in Toxteth only 11 days ago.

On that occasion Mr Heseltine was leading an official party to inspect an environmental improvement scheme in Princes Avenue. The celebration was somewhat marred by a group of demonstrators who threw eggs and rotting vegetables at the ministerial coach.

It would of course be foolish to equate such a relatively harmless incident with the far more serious rioting which occurred over the weekend. But it may well be used as evidence that Government spending cuts have helped to fan the flames of resentment and frustration that are erupting in deprived inner city areas.

Mr Heseltine, who will today be questioned specifically on housing matters, may be expected to stonewall as stubbornly as he did before the Commons committee last year.

Throughout, he has flatly refused to supply any forecast of the country's housing needs in the years to come or to reveal the basis for his department's estimates, a refusal for which he was castigated in the committee's report last year.

But it is not just his fellow MPs who have expressed concern. Local authorities of all political complexions, housing associations, pressure groups like Shelter, and leaders of the construction industry and its associated professions have united in condemning the Government's housing cuts as short-sighted and certain to lead to a crisis.

If Mr Heseltine is worried, he does not show it. His response has been that vast amounts of public money have been poured into housing in the past 25 years, and that by and large it has proved a bad investment. If housing has been made to bear the brunt of the cuts, which it has, that is because there are better ways of using scarce funds.

Both he and his colleague Mr John Stanley, Minister for Housing and Construction, have repeatedly urged local authorities to look at other ways of meeting housing needs, such as meeting and improving flats and houses for sale, and offering derelict properties to first time buyers willing to renovate them. If councils want more money, it is said, they should sell off as many properties as they can and reinvest the proceeds.

Ironically, Liverpool city council housing committee, under the leadership of Liberals like Sir Trevor Jones and Mr David Alton, now MP for Edge Hill, has been among the pioneers of new schemes like building low cost houses for sale. But it also has a grim record of responsibility for some of the most notorious estates in Britain; the Pigeon's, Belle Vale and

There are council officials in Liverpool who would agree with Mr Heseltine's view that money has been wasted. One of them pointed out yesterday that Toxteth, or "Liverpool 8" as it is known to sociologists, has probably received more public funds than any other district of the city.

"There have been suggestions that blacks don't receive a fair crack of the whip when it comes to allocations," he added. "But our council has never kept any record of applicants' race or colour."

## Tragedy of blacks

From the Press Association

Wry comics in Liverpool joke that the dole queue is one of the two expanding industries in the city. The other is for security men to guard the empty factories. More than one in six are now out of work in the city—more than at any time since the war. In the rundown area of Toxteth, the number of jobs has been put at 27 per cent by a city council survey last year.

Other estimates paint a much more dismal picture. A recent Liverpool University report on the Liverpool 8 district, which includes Toxteth, put white unemployment at 43 per cent and black at 47 per cent.

In its 1980 report, Merseyside Community Relations Committee said half the black people in the city were out of work, while a House of Commons sub-committee was told earlier this year that 60 per cent of black youths were jobless.

Latest unemployment figures show 81,723 people, claiming 1,019 jobs. At the careers office, with thousands of schoolleavers looking for work, there are just 12 jobs. This is the depressing picture of life today in Liverpool, once a highly prosperous sea port. The recession has hit the city especially hard. Mr Phil Parry of the local employment office said: "We have

large firms closing down or shedding labour and only small ones starting up. It's a never ending battle which just gets worse."

The most recent blow was the closure of a Courtaulds factory in Aintree.

A few months ago it was sugar firm Tate & Lyle which finally closed its refinery in Love Lane, Liverpool—1,570 jobs were lost. Before that were English Electric, Plessey, Thorn Colour Tubes, Cammell Laird, Western Ship Repairs, Tilston, Bird's Eye, KME, Standard Triumph, Dunlop, Mecanno, and Massey Ferguson.

It was no coincidence that the TUC chose Liverpool as the starting point of the recent People's March for Jobs. Mr Parry added: "When firms rationalize they choose areas like Liverpool in which to close factories. The growth of the EEC has attracted more firms to the east and south-east."

The industrial development officer for the city, Mr David Mowat, has pledged that the government will give Merseyside more help, especially to find young people jobs.

Job losses are exceeding job gains and the school-leaver are being hit hardest," he said.



## Dayan emerges as a key figure in coalition talks

From Christopher Walker, Jerusalem, July 6

Mr Moshe Dayan, the Israeli war hero and former Foreign Minister, emerged today as a key figure in the continuing round of private negotiations designed to produce a new coalition government with a workable majority in the 120-seat Knesset.

For nearly two hours this morning, Mr Dayan and other prominent members of his newly formed Telem party held discussions with Mr Menachem Begin, the Prime Minister, who is now confidently expected to be confirmed as head of a new right-wing administration before the end of the month.

Ironically, Mr Dayan's emergence as an important figure in the talks has occurred despite the poor showing of his centre party which secured only two Knesset seats. Because of the closeness of the final result between the Likud and Labour, even such a small fraction has gained political significance.

Although Mr Dayan would say little after today's meeting, he confirmed that further talks with Mr Begin were planned, it is understood that he is hoping to secure a position as the man in charge of the Israeli team in the negotiations with Egypt over Palestinian autonomy.

From the outset of the campaign, Mr Dayan, who recently celebrated his sixty-sixth birthday, has made clear that his primary political goal was to improve Israel's future relations with the Palestinians. He is the architect of a scheme for the unilateral imposition of autonomy in the occupied West Bank and the Gaza Strip, combined with a continued Israeli military presence.

In diplomatic circles, it is

believed that Mr Dayan could play an important part in helping the autonomy talks out of their present deadlock. Until now, the Israeli team has been led by Dr Joseph Burg, the Minister of the Interior and leader of the National Religious Party.

For complex political reasons, Dr Burg is one of those politicians who has been working behind the scenes to persuade Mr Dayan to add his personal and parliamentary backing to the proposed new coalition, which is expected to win the support of at least two of the three religious parties.

In an interview with *The Times* before voting took place, Mr Dayan said of his intentions after the election: "I do not want to be a member of the Cabinet, I do not want to be a minister, but I do want, and I am ready to deal personally with the vital issue of Israel's relations with the Palestinians."

Mr Dayan made clear that although he was a firm supporter of the right of Jews to settle in the occupied territories, he was against building new settlements in areas of concentrated Arab population. His resignation from the Government in 1979 was prompted by what he claimed was the Cabinet's inflexibility in its handling of the delicate autonomy issue.

Some members of the National Religious Party have reacted angrily to speculation that Mr Dayan may be put in charge of the autonomy talks. But senior Likud figures claimed that the idea remained a working possibility as Mr

## Kidnapped oil man's body found in car

From John Earle, Rome, July 6

The body of Signor Giuseppe Tallarico, a petrochemical plant manager kidnapped by the Red Brigades, was found today in the boot of a Fiat 128 car.

The car was parked in a street at Mestre, on the Venice lagoon, where Signor Tallarico worked at Montedison's plant. The body had 14 bullet wounds.

Signor Tallarico was one of four people being held by the Red Brigades in different parts of Italy. The others are Signor Cirillo, a prominent Christian Democrat politician in Naples, Signor Renzo Sandrucci, personnel manager at Alfa Romeo's main plant near Milan, and Signor Roberto Paci, brother of an imprisoned brigatist who has a reputation and turned state evidence.

In a communiqué found a few days ago, the Red Brigades said they had tried Signor Tallarico and condemned him to death. They did not set terms for his release or attempt to bargain for his life, as in the case of Signor Cirillo, whose fate they have linked to the handing over of homes to Naples homeless and to other conditions.

At the New Year, Judge Giovanni d'Urso was released in Rome after the Asinara maximum security prison in Sardinia was closed and after Red Brigades proclamations on prison conditions were published. Signor Tallarico apparently had no chance to escape death.

Signor Luciano Lama, Pierre Cardinal and Giorgio Benvenuto, the leaders of the three big trade union confederations, will tomorrow head a big demonstration against terrorism.

A meeting had already been called, and will now take on added significance. The unions have also called for a national half-hour work stoppage in protest at the killing. In the Montedison works, unionists and shop stewards called on the management to express their sympathy.

Signor Tallarico, married with five children, had been a prisoner of the terrorists since a group dressed in uniforms of the Guardia di Finanza, tax police, rang the bell at his flat on May 20. He rose from eating lunch to speak with them, whereupon they pulled out pistols and bound the family before forcing him to go with them.

The Venice column of the Red Brigades has a long history of violence since first being heard of in 1974. In January, 1980, the deputy manager of the Montedison works was murdered, as was a senior official of the police, who was in the centre of Mestre in May last year.

The murder will underline the commitment of the new Government to fight terrorism, in the programme which Signor Ciriaco De Mita, the Prime Minister, is to read to the Senate tomorrow.



Lord Carrington, right, with Mr Gromyko before their talks in Moscow yesterday.

## Italians angry with Carrington

From Michael Hornsby, Brussels, July 6

The decision by Lord Carrington, the Foreign Secretary, to invite his French and West German colleagues to a meeting in London yesterday before his departure for Moscow has been bitterly denounced in Rome as "an astonishingly negative start" to Britain's six-month presidency of the EEC.

The Italian Government is furious at being excluded from the meeting, as it was from a similarly restricted gathering in Bonn several months ago, and protests that Italy's responsibilities, notably in the field of bilateral relations, are certainly no less than those of the three other West European democracies.

Lord Carrington's belated decision to call on Signor Emilio Colombo, the Italian Foreign Minister, this evening on his way home from Moscow is so transparently intended to apply balm to wounded Italian pride that it seems more likely to add insult to injury.

A statement by the Italian Foreign Ministry describes yesterday's three-way meeting in London as "dangerous and pointless". There was ample opportunity, it says, at last week's EEC summit meeting in Luxembourg for discussion by

the Ten of the Community's Afghan initiative and any other matters likely to be raised by Lord Carrington in Moscow.

The statement goes on: "The Italian Government hopes that Europe is not moving towards the replacement of a system of axes by a system of directorates—a reference to the four often expressed by the EEC's smaller states that the Community is developing a dominating 'inner club' of big countries."

Officials at the Foreign Office in London were unrepentant today about Lord Carrington's weekend invitation to Signor Hans-Dietrich Genscher and M. Claude Cheysson. "It is obviously absurd to say that Lord Carrington cannot have meetings with smaller numbers of ministers than 10 if the occasion warrants it," one said.

British sources conceded that on Afghanistan Lord Carrington spoke for the EEC alone, but argued that on other matters he raised with Mr Andrei Gromyko, the Soviet Foreign Minister, such as Poland and the Middle East, he was speaking not only as the EEC president but also as the British Foreign Secretary, and was entitled to consult whom he wished beforehand.

The implication, and this is undoubtedly what rankles in Rome, is that on the main issues of East-West relations London considers the views of West Germany, and France to be more important than those of Italy and the EEC's smaller states.

□ Making amends: Lord Carrington called on Signor Colombo in Rome on his way back to London (David Spangler, Diplomatic Correspondent, writes).

The Italian accusation that the British were trying to run a "dictatorate" of the big powers in the European Community while strenuously denying in London, evidently touched a sensitive spot. The result was that Lord Carrington has done his best to make amends by reporting on his Moscow talks in Rome before making his formal report to the European Council of Ministers.

His speech at the European Parliament in Strasbourg tomorrow will give him an opportunity to review the Afghan initiative in the context of European foreign policy generally.

## Dr Kaunda to visit Zimbabwe

From Stephen Taylor, Salisbury, July 6

President Kenneth Kaunda of Zambia arrives here tomorrow for a state visit.

He played a leading role in the region during the Rhodesian conflict, committing himself to the establishment of majority rule and providing support and sanctuary for nationalists.

Zambia suffered severely as a result of sanctions on Rhodesia and during the guerrilla war was raided several times by Rhodesian forces in reprisal for nationalist activities.

This four-day state visit is to accord President Kaunda tribute for these contributions. One of Salisbury's main roads is to be renamed in his honour.

The capital's two principal roads have already been renamed after President Machel of Mozambique and President Nyerere of Tanzania who have also paid state visits to Zimbabwe.

If relations between President Kaunda and his Zimbabwean hosts are not as warm as it appears, the reason is that the Zambian leader became closely associated in the final years of the guerrilla war with the cause of Mr Joshua Nkomo, a political rival of Mr Robert Mugabe, the Prime Minister.

Although Zambia provided headquarters for Mr Mugabe's Zimbabwe African National Union (Zanu), as well as Mr Nkomo's Party, then known as the Zimbabwe African People's Union, Zanu moved its base to Mozambique in 1975 from where it intensified the war.

The ruling party's fraternal relations with Mozambique date from that period.

Some observers have felt that Zambia's role in the independence struggle could have been recognized with an earlier invitation to President Kaunda.

## Syrians refuse to discuss Soviet naval manoeuvres

From Robert Fisk, Beirut, July 6

Syrian officials again refused to comment today on Soviet naval manoeuvres off the Syrian coast, but their occasionally angry replies to journalists' questions tended to confirm that the exercises were indeed taking place.

"We are in a state of war," one official said in Damascus. "You cannot expect us to reveal military secrets." Syria has regarded itself as in a state of war with Israel since 1973.

Meanwhile, the Arabic service of Israeli radio, whose broadcasts are widely listened to in Lebanon and Syria, reported this afternoon that large quantities of Soviet-made arms were being flown into Syrian airfields, some of the aircraft apparently coming from Libya.

The exercises appear to be taking place far away from the civilian areas of the coast. European airline hostess who

flew over the Syrian port of Latakia this morning said she saw several ships in the harbour but no evidence of naval vessels off the coast.

The most likely location of the manoeuvres, which are believed to involve Soviet landing craft and assault ships, is on the stretch of shore line between Tartus and Banias, south of Latakia.

One West European diplomatic source in Beirut said tonight that the Soviet-Syrian manoeuvres had yet to start in earnest but he did say that Soviet infantry had been put on board the naval craft last month.

He said that the Russians put their soldiers on board in daylight rather than at night, presumably because they wanted the Israelis and the Americans to be aware of the exercises.

## Nationality challenge in Strasbourg

From David Wood, Strasbourg, July 6

The legal affairs committee of the European Parliament has criticized the British Nationality Bill, which will be discussed in the House of Lords today.

No new definition of British nationality is offered in the Government's Bill for the purposes of Community law, the committee says. Consequently there is conflict with the treaty provisions for freedom of movement by citizens. A clear definition of citizenship by the British Government is demanded.

It is also argued in the report that the Bill could create statelessness for some people. Under clause one of the Bill a person born in the United Kingdom to parents from another member state would no longer be entitled to British nationality unless they were settled there.

Under clause two a child born to British parents in a Community country other than the United Kingdom would no longer be able automatically to inherit British nationality.

The report says it is highly desirable that British nationality law in Europe. It is expected the report will be debated in Strasbourg on Thursday.



Marc Chagall is 94.

Marc Chagall, the Russian-born French artist, photographed at the Chagall Museum in Nice where an exhibition of his latest paintings has opened. Today is his ninety-fourth birthday. He has lived in France since 1922 and was decorated with the Grand Cross of the Legion of Honour in 1977.

## Gromyko trip leaves Poles calm

Warsaw, July 6—Polish officials declared themselves satisfied today with the outcome of the visit by Mr Andrei Gromyko, the Soviet foreign minister, seeing it as Moscow's acceptance of next week's emergency Communist Party congress which is likely to legitimize most of the democratic changes of the past year.

Official sources said Mr Gromyko's talks with Polish leaders had emphasized the common ground between the two countries and parties, and played down their differences.

The final communiqué concentrated on foreign policy, where the Poles have no quarrel with Moscow, and scarcely mentioned internal developments in Poland which have seriously worried the Kremlin.

The sources said the Gromyko visit was regarded as a sign of Moscow's grudging acceptance of the changes in the United States and so long as the Americans declared that they did not intend to station any missiles of their own.

It was also seen as an acceptance of the results of the Polish party's Central Committee meeting last month at which Mr Stanislaw Kania, the party leader, survived an onslaught from hardliners.

The Central Committee meeting came after the receipt of a letter from Moscow sharply criticizing the development in Poland and by implication, the party leadership as well.

There was a notable absence from the communiqué on Mr Gromyko's visit of the usual references to the talks being held in a cordial, friendly atmosphere. But the official sources said these could not be expected so soon after such a critical letter.

The official Polish press continued its low-key treatment of the visit.

Meanwhile, it was announced here today that the party's Central Committee will meet on Friday for its final session before next week's congress.

□ Port strike: Dockworkers in the Solidarity union have announced a one-hour warning strike in all Polish ports and port-related enterprises for Wednesday, the Polish radio reported. The broadcast did not outline the workers' demands.—AP and Reuters.

## Bonn wary on Brezhnev missile freeze proposal

From Patricia Clough, Bonn, July 6

The West German Government was reserved today about Mr Brezhnev's proposal to Herr Willy Brandt, the Social Democrat Party chairman, for a freeze on the number of medium-range nuclear missiles.

Herr Kurt Becker, the government spokesman, said there were perceptible differences between Mr Brezhnev's proposal and Herr Brandt's proposal to freeze the number of Soviet SS20s in Europe.

But he pointed to the ever-increasing Soviet lead in European-range missiles and said the latest suggestion would have been more useful had it been made earlier.

Mr Brezhnev told Herr Brandt that Moscow was prepared to halt the stationing of its three-headed SS20s in Europe on condition that the United States agreed to a similar reduction of its missiles.

The Chancellor's noticeable lack of haste in reacting to Herr Brandt's talks—although he has spoken to him by telephone—underlines a certain coolness towards the visit.

Herr Schmidt has not been over-enthusiastic about the trip.

Six months ago he demanded that the United States stop the stationing of its SS20s in Europe and cruise missiles. West Germany and the rest of NATO rejected this proposal, since it would have perpetuated the imbalance in Moscow's favour.

Herr Brandt today briefed Herr Hans-Dietrich Genscher, the Foreign Minister, on his Moscow trip and, tomorrow, five days after his return, will see Herr Helmut Schmidt, the Chancellor.

He has also written to Mr Alexander Haig, the American Secretary of State, and a close colleague, Herr Horst Ehmke, has gone to Washington to put the Americans in the picture.

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## SIBERIAN SEVEN FIND SUPPORT

Mr Danny Smith, organizing secretary of the campaign to free the seven Siberian Pentecostals who this month began their fourth year in the United States Embassy in Moscow, said yesterday that the campaign was exploring ways of involving Britain in the role of mediator or negotiator.

"We have had letters from the Foreign Office supporting the campaign," he said. Forty MPs had signed an early day motion. The seven want to go to the United States.

## French to have 39-hour week

From Ian Murray, Paris, July 6

The French Employers' Federation (CNPF) today agreed in principle to reduce the working week from 40 to 39 hours and to grant an extra week of paid holiday a year. A formal agreement on this is due to be signed on July 17, when the employers' next meet the different national unions.

This concession by the CNPF has been welcomed with some caution by the unions as a step along the path to the 35-hour week, which they are claiming and for which they have the support of the Government.

Nevertheless, there is certain to be a considerable amount of tough negotiation ahead before the agreement can come into effect.

In return for a reduction in the working week, the employers are looking for a greater flexibility in the way the 39 hours should be worked. The obvious concern of industry is that a shorter working week will make France less competitive and therefore different schemes are being

studied to ensure maximum productivity.

Some industries, for example, would like to see the extra hour off accumulated over a period to provide an extra day off periodically, rather than see the working day cut. Since each industry has its own special needs these negotiations will therefore be conducted at industry level rather than nationally.

Also under discussion at industry level will be the legal limit on overtime, with some industries pressing for the right to call on workers for extra long periods during busy times.

Assuming the negotiations all succeed, France will go over to the 39-hour week from next year, which would be on target for the Government's stated intention of a 35-hour week by 1985.

It has been calculated that the 35-hour week would add an extra 12 per cent to the wages bill if pay levels remain the same as for a 40-hour week. The Government believes that the scheme could absorb nearly

## SKID ROW SLASHER KILLS TWO

From Michael Lezeman, New York, July 6

Six tramps were knifed here last night by a man believed by the police to have been responsible for similar but non-fatal attacks on nine vagrants last week. This time two of the victims died of their wounds.

The press has dubbed the attacker the Skid Row Slasher. He strikes near the Bowery and other areas of Manhattan known to be the haunts of tramps, who sleep on benches or in parks and beg money for drinks. He approaches them quickly and slashes them in the neck.

Descriptions of the attacker leave little doubt that it is the same person who struck last week. Police were questioning a man today.

Last night the attacker began on the lower East Side, which has most tramps. The first man fought back and received a cut in the hand. Another had his throat cut but escaped into an underground station.

## Rioting flock forces Greek bishop to flee

From Mario Mediano, Athens, July 6

Demetrius of Cephalonia, the local bishop, fled today after a week of rioting, and forced Metropolitan Prokopios to flee to Athens because they believe he has traded away hunks of the 400-year-old relic of St. Gerasimos, the island's revered patron.

Prokopios has been excommunicated from all charges by a synodal tribunal, but a large section of his flock on the island remain unconvinced.

Trouble began when a chapel in St. Gerasimos's birthplace was raided for pieces of the holy relic, until then believed to have been preserved intact in a monastery bearing his name in Cephalonia where he lived and died.

In 1979, a group of forensic experts examined the relic at the request of the local prosecutor and claimed to have found pieces missing from the 400-year-old relic of St. Gerasimos, the island's revered patron.

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## IN BRIEF

### Bolshoi claims a fabrication

Istanbul—Alekssei Yustin, leader of the Bolshoi Ballet group attending a festival here, described as a fabrication the news that one of his corps de ballet, Galina Chursina, had defected. Soviet-Turkish cultural relations would suffer if she was not returned.

The Turkish Foreign Ministry explained, however, that it had been decided to grant her transit facilities on her way to the United States. She had asked for asylum "orally and in writing" on July 4, a day before she left her group. Bolshoi representatives were refused permission to see her.

### Coalition crisis for Belgians

Brussels—Belgium's four-party coalition Government is heading for a crisis over how to tackle a soaring public sector deficit. Disagreement with the Socialists could force the Social Christians to seek new coalition partners, possibly the right-wing Liberals. "The atmosphere is bad at all levels," Mr Mark Eyskens, the Prime Minister said.

Fighting between the social Christian and socialist parties, each split between its Flemish and French-speaking wings, has made agreement on a coherent economic policy seem impossible.

Spending cuts and tax increases look inevitable if an aimed-for cut in the overall deficit is to be achieved, political sources said.

### Killer downpour

Delhi—Torrential rain and floods have killed at least 69 people in northern India and disrupted oil production in the northeastern state of Assam. The Army is standing by to help with relief work. Twenty-six people were killed in the town of Aligarh in northern Uttar Pradesh state, where one and a half million people have been affected by the floods.

### Entebbe payment

New York—Al-France has agreed to pay \$2m in compensation to the 67 Israelis held captive by PLO hijackers in Entebbe, Uganda, in July 1976, the *New York Times* said. The procedure in Athens had been inadequate.

### Death on spikes

Versailles—David Hadenstock, the 14-year-old son of Roman Schneider, the actress, was killed when he accidentally impaled himself on iron spikes while climbing a fence surrounding his grandmother's home in St. Germain-en-Laye, west of Paris.

### Pilot in Pakistan

Islamabad—The Pakistani authorities have taken custody of a captured Soviet pilot who was brought across the Afghan border by guerrillas, a reliable Afghan source said.

### Crown Prince dies

Rio de Janeiro—The Crown Prince of Brazil's royal family, Pedro Henrique de Orleans e Braganca, has died near here. He was 71.

### Cholera in Jordan

Bahrain—Three persons have died of cholera in Jordan and the Government has ordered a vaccination programme, the Gulf news agency reported.

### Sadat for London

President Anwar Sadat of Egypt will pay an official visit to London in August at the invitation of Mrs Thatcher.

## Russians will visit West Germany to speed Siberian gas project

Bonn, July 6—A Soviet delegation will visit West Germany this week for talks to speed up a project to bring Siberian natural gas to Western Europe, industry sources said.

Soviet interest in the scheme appears to have intensified again after a lull that followed difficulties over the terms on which West German banks would lend money for the deal.

An agreement on the project will probably be ready for signing this year, possibly in conjunction with the visit President Brezhnev is to make to West Germany in late autumn, the sources said.

They said Soviet trade officials had been holding talks recently with some of the German companies seeking orders to supply the 3,000-mile pipeline and plant.

The scheme, involving between DM20,000m (£4.25bn) and DM30,000m, is designed to supply Western Europe with 40,000m cubic metres of natural gas a year from the middle of the decade.

The sources said the interest rates West German banks wanted to finance part of the deal was no longer the main obstacle to progress.

The price that Ruhrgas AG, the German gas company, presented a greater difficulty.

United States opposition to the deal, on the grounds that it will make Western Europe dangerously dependent on Soviet energy supplies, was also a factor. Officials in Washington said last week that the Reagan Administration would insist that its European allies took steps to guard against the potential Soviet blackmail if the gas deal went ahead.

The scheme will make West Germany, the largest potential customer, dependent on the Soviet Union for about 20 per cent of its gas, compared to 17 per cent now.

The leader of one of the principal West German companies seeking participation in the project has warned Bonn about allowing the deal to become a political instrument.

Sources said the companies, Mannesmann AG, Salzgitter AG and AEG-Telefunken, considered deal as normal as trade with Western Europe and Soviet gas supplies as more dependable than supplies from most other possible sources.

An Economics Ministry spokesman said he was unaware of any Soviet delegation visiting West Germany this week for talks, but did not rule out a visit. Negotiations were likely to be directly with the banks and industry, without involving the federal Government, he said.

The industry sources said fears that Moscow could run off the pipeline like a tap were unfounded.

The system would include 41 compressor stations at points along the pipeline, and switching it off would be a long and difficult operation. Attempts suddenly to cut off Western Europe's gas supplies could cause irreparable damage to this large investment, something the Soviet authorities were hardly likely to want either.

Last week he called on Mr Dimitrios Davakis, the Minister of Public Order, to inform him that he proposed to return to ask for police protection. The minister stated today that he had tried to dissuade the prelate because reports from the island's authorities had forecast trouble if he returned.

The minister said he thought the bishop had agreed to desist, but the next day he flew to Cephalonia in a chartered aircraft escorted by two other bishops.

News of the metropolitan's arrival triggered a spontaneous demonstration on Saturday night which turned into a riot when a delegation of MPs from all political parties failed to induce him to leave the bishopric and go away.

A crowd of 6,000 demonstrators broke in and ransacked the building where the bishop was staying, while the police spirited the metropolitan off through a back door to an out-of-town hotel in Cephalonia.

Yesterday the local gendarmerie chiefs told the bishop that despite reinforcements brought in from Paris, they could not guarantee his safety from the hostile crowds that had massed outside the hotel and threatened to set it on fire unless the bishop fled.

Metropolitan Prokopios returned to Athens by air later. He said firmly: "I shall go back."

مكتبة الأصل



## 'Think well' plea by Muldoon on rugby tour

history since it accepted as an adviser in the early 1970s Signor Michele Sindona, the Sicilian financier who is serving a 25-year prison sentence in New York.

Signor Massimo Spada, the former administrative manager of the Vatican bank, and his successor Signor Luigi Menzini, have both been investigated in connexion with the Sindona affair.







## Racing

## Light Cavalry should lead a victory charge for old guard

By Michael Phillips

Racing Correspondent

The three-day July meeting which begins at Newmarket today is invariably one of the most enjoyable of the year and this summer's should be no exception. One of the reasons why July is such a special month in the racing calendar is because of the number of opportunities it affords top class three-year-olds taking on their elders. Until now the three-year-olds have mainly been busy sorting themselves out in the trials of one description or another and of course in the classics themselves.

But with those out of the way now comes the time for fresh horizons to be opened. And the Princess of Wales's Stakes is a prime case in point. Heading the field of eight is Light Cavalry, the winner of the Prince of Wales Stakes, while at the bottom we find Scintillating Air, who finished third in this year's Derby.

Sandwiched between them are Castle Keep, who never stopped improving last season; Royal Fountain and World Leader, two other good four-year-olds; Son of the Sun, the old man of the party, who finished second in this race 12 months ago; the Blue and the Trial Stakes winner Centurion; and Captain, who was reputed to be the best of the three-year-olds until a virus threw things at West Hilly into confusion in May.

Having won a group one race, Light Cavalry has been a real hit. It makes the race that much more open and poses the question can he give 12lb to such useful contemporaries as Castle Keep and Royal Fountain and much more than that, in the weight-for-age scale to his younger opponents.

I think that he can and so does George Robinson our Newmarket correspondent, who told us yesterday that Light Cavalry worked a treat on Saturday when he was galloped with the Ascot Gold Cup winner, Ardross. There is every reason to believe that Light Cavalry will strip flitter than he did before the Hardwicke which was his first race since he injured a tendon at Newbury in the spring.

In the Hardwicke he finished five and a half lengths in front of Castle Keep, whom he beat in the meeting on 7th week terms this afternoon. That difference should help to even the odds. Yet I suggest that Royal Fountain will be an even greater threat to his selection now that good ground is assured. In the spring race he was much the same sort of horse as Prince Bee and Hello Gorgeous, who would both be faced to tackle Light Cavalry at these weights.

With the future in mind it will be interesting to see how Scintillating Air fares in the Derby. The Derby he finished 12 lengths behind Sherard and two behind Clive of Gold, who experienced ill luck in running that day.

For Light Cavalry's trainer, Henry Cecil, today should mark the beginning of yet another successful meeting. He has won the Derby (2.30) and Long Legend (4.40), also expected to return home to Warren Place with the lion share of the prize money.

Young Canadian stallion, Dance in Time, who stands on the Plantation Stud on the outskirts of Newmarket, has finished second in the Derby and is the grand-daughter of that fast

silly, Abella, who won the Queen Mary Stakes at Royal Ascot in 1957.

With a pedigree like that it is not surprising that Lavender Dance looks like proving a flier. She certainly appeared so when she won her only race by six lengths at Yarmouth.

Today her main stumbling block would appear to be Quest, that lovely filly by the Minister, whose career began on such an auspicious note at Royal Ascot when she finished third in the Queen Mary Stakes.

The Plantation Stakes and the Chesterfield Stakes are other races for two-year-olds included in today's programme which looks almost as fascinating. Lester Pigott's mount won last year's Prince of Wales and Light Cavalry later in the day, should begin the afternoon well by winning the first race on Trebris, who was runner up to Cajun in the Cheesman Stakes at Royal Ascot.

However, Pigott may be forced to play second fiddle to young Walter Swinburn in the Chesterfield Stakes. Custer, Pigott's mount won last year's Prince of Wales and Light Cavalry later in the day, should begin the afternoon well by winning the first race on Trebris, who was runner up to Cajun in the Cheesman Stakes at Royal Ascot.

Good impression when he ran away with his only race so far at Nottingham. Yesterday our Newmarket correspondent was adamant that Shaady would be hard to catch. He is trained by Michael Stoute, who produced Marwell to win the same race 12 months ago.

The outcome of the Bunbury Cup, which has been sponsored by the late Lord Bess, is much less easy to predict. The race was won by Steeple Bell last year, but he has shot up in the weights. In the meantime, the race has been taken his run with Cajolet and Heron's Hollow at Lingfield in June into account and there should be nothing between them this time. Likewise there should not be much between Playboys Jubilee and Greenwood Star judged on the way that which was his first race since he injured a tendon at Newbury in the spring.

Finally 14 sprinters have stood their ground at the four-day declaration stage for Thursday's July Cup, which is being sponsored again by the William Hill organization. Yesterday the sponsors made Marwell favourite at 13-8.

There were 11-4 Moorehead, 5-1 Sonoma, 10-1 Victor Regal, 14-1 Standish, 16-1 Cor Thrust and 20-1 bar those six.

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Last year's St Leger winner, Light Cavalry, seeks his first win of the season in the Princess of Wales's Stakes.

## Sponsored day at Ascot may raise £100,000

By Michael Phillips

In an attempt to raise £100,000 for the spinal unit at Stoke Mandeville Hospital in this year of the disabled, the horse racing industry is putting its full weight behind a sponsored show jumping day to be held at Ascot racecourse next Sunday.

Play teams, each consisting of three people, will be competing, and each team is raising its own sponsorship. All aspects of racing will be represented and they will vary from the jockey club to the farriers; bloodstock agents to stable lads; clerks of courses to sales and writers to punters. Many of racing's social celebrities will be taking part and they will be joined by Prince Charles, who along with Little Owl's rider, Jim Wilson, will be in the team representing the amateurs.

Quite apart from backing an excellent cause it promises to be a splendid day's outing for the family. Jimmy Saville, who has already done so much for Stoke Mandeville Hospital, will be there recording his live outside broadcast for Radio 4. The Red Devils parachute team will be in action

and there will also be a display by the British Driving Society.

The Queen has given her permission for the same carriages which will be used at the Royal Wedding later this month to be exhibited and they will also be an exhibition and sale of contemporary artwork of art. A running barbecue, films and ordinary refreshment stalls will cater for the hungry and thirsty. Already all of the drink has been donated.

Admission will be £1 for an adult and car parking will cost 50p. Gates will open at midday. Jumping will begin at 1.15 pm and the day will end at seven.

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## A favourite surrenders to a family tradition

By Rex Bellamy

Tennis Correspondent

The gremlins who lie in ambush on an article's long journey to the printed page prevented us, yesterday, from referring to the increasing facility with which John McEnroe guessed Bjorn Borg's singles final—or to the fact that, in technical and tactical terms, Borg was the more formidable opponent.

Even if the structure of domestic tennis is drastically changed, as some believe, it is still a game which can be considered retirement before we can reasonably hope to see a British player contest the men's singles final at Wimbledon.

One prerequisite is a nationwide network of modern courts, where the game can be played throughout the year in a comfortable environment appealing to the entire family. This would raise playing standards and discourage the drift away from tennis towards those sports less vulnerable to bad weather.

Yesterday there was exciting news that, before next Wimbledon comes round, just such a centre is to be opened near Junction 3 on the M4, in the London borough of Hounslow, where the new courts will be five indoor, and the outdoor courts, like that at Hounslow, is scheduled to open next June, that at Middleton St George should be open in September.

All three represent collective initiatives that acquired urgency from last year's report on British tennis. This recommended that the Sports Council and the Lawn Tennis Association should encourage local councils and private enterprise to cooperate in building regional indoor tennis centres.

The driving force behind it is the late, but not forgotten, Lloyd Harris, the kind of man who makes things happen. From 1972 to 1980 he played 15 Davis Cup ties for Britain, notably as an in-

## Tennis

## Lloyd's new club can show Britain the way

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understate his case, Lloyd says the new club has cost him three years' work, and every penny he has earned.

There will be 12 indoor courts and nine outdoor, all with the Omniscourt artificial grass surface. For beginners and the very young, there will also be seven portable courts. The club will also have squash, racquetball (sic) and badminton courts.

Racquetball has been a heavily promoted commercial success in North America, but in Britain has made tougher competition from squash.

Slazenger have been associated with Lloyd in developing the scheme and have agreed to let the public know that reduced entrance fees are available to those who apply for membership this year (via Lloyd and his wife).

The Sports Council are putting £50,000 into this venture, plus £10,000 from the Hounslow Tennis Centre, near Macclesfield, where there will be three indoor courts and three outdoor, and £40,000 into the Hounslow Lawn Tennis Centre at Middleton St George, near Darlington, where there will be five indoor courts.

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The Hounslow centre, like that at Hounslow, is scheduled to open next June, that at Middleton St George should be open in September.

All three represent collective initiatives that acquired urgency from last year's report on British tennis. This recommended that the Sports Council and the Lawn Tennis Association should encourage local councils and private enterprise to cooperate in building regional indoor tennis centres.

The driving force behind it is the late, but not forgotten, Lloyd Harris, the kind of man who makes things happen. From 1972 to 1980 he played 15 Davis Cup ties for Britain, notably as an in-

spired and inspiring dance court doubles player. Never a man to understate his case, Lloyd says the new club has cost him three years' work, and every penny he has earned.

There will be 12 indoor courts and nine outdoor, all with the Omniscourt artificial grass surface. For beginners and the very young, there will also be seven portable courts. The club will also have squash, racquetball (sic) and badminton courts.

Racquetball has been a heavily promoted commercial success in North America, but in Britain has made tougher competition from squash.

## Athletics

## Coe ready to step through new barrier

From Norman Fox

Helsinki, July 6  
If it is the Russians who were occupied by next weekend's match against the United States, and the victors of Britain's men's team over them both in the Europa Cup semi-final here yesterday, then the performance of the team beneath the cream of Sebastian Coe, Steve Ovett and Allan Wells.

The team performance, with its several triumphs, attracted attention from several other sportsmen and a respectable placing in the final in Zagreb next month. For the moment, however, attention is quickly diverted to the personal ambitions of Coe. While Ovett left for home ahead of the British team yesterday morning to seek treatment for month absences, Coe today moved from his graceful 800 metres win here to Stockholm where tomorrow he could conceivably become the first to break 3min 30sec for the 1,500 metres.

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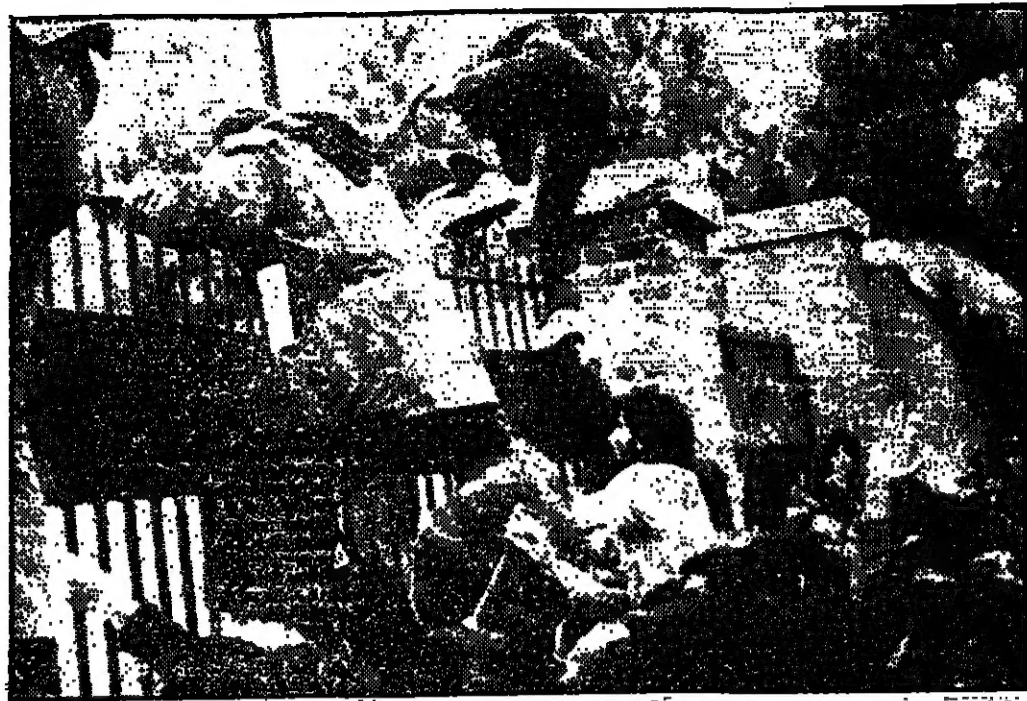
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## Part Two of The Return of the Ayatollah

A strange American plan to exploit the 'rescue' disaster — and still free the hostages

## With the students inside the embassy



Student revolutionaries scale the US Embassy gates in Tehran: Mohamed Heikal's verdict is that in the final analysis the Iranians lost more than they gained by taking the Embassy staff hostage (above)

In his book *The Return of the Ayatollah*, to be published by André Deutsch in November, Mohamed Heikal, the distinguished Egyptian writer and editor, gives a full account of the Islamic upsurge in Iran. The second extract begins in November 1979, when revolutionary students seized the American Embassy and held its occupants hostage. Shortly afterwards Heikal was phoned by a student leader and invited to visit the Embassy compound.

At first I thought the telephone call might be a hoax. A serving ambassador who spoke English had been attached to me by the Iranian Foreign Ministry, and when I told him that I wanted to go to the American Embassy he looked at me as if he thought I was mad. However, I told him that we had better go and see; if it was a hoax no harm would be done. So we set off.

Outside the main gate of the Embassy there was a milling throng of people, and, as I was later to discover, they were there by night as well as by day. If the citizens of Tehran had nothing else to do they would go along to the American Embassy for entertainment and political participation.

There they would find speeches and exhortations directed at them from loudspeakers inside the Embassy walls, and other loudspeakers blaring out martial music, while on the pavements outside there were people selling cassettes of Khomeini's sermons, groups studying the Koran and listening to Islamic teaching, some girls in black chadors offering pictures of Khomeini and books about Islam and revolutionary justice, while other girls in blue jeans sold the writings of Lenin and Trotsky and assorted Marxist pamphlets. This was the revolution in its most visible and characteristic form, and ironically it was all taking place in what had formerly been Franklin Roosevelt Street — now called Ayatollah Taleghani Street after the popular divine who died recently.

## Five-year siege stores-in the PX

After my companion had made his way through the crowd to the Embassy doors and announced us, four revolutionary guards and a girl with a machine-gun emerged. They gave me a hoarse welcome, embracing me — all revolutionaries together! In a rather touching demonstration of their administrative efficiency they presented me and my companion with badges bearing our names, which we had to pin on our jackets, as if we were entering an American defence establishment — not that there was much likelihood of us or our identities being lost. The badges had to be given up when we left.

I spent four hours inside the Embassy with the students — three hours in discussions and one hour in a conducted tour round the compound. To begin with they assured me that they had found the Embassy prepared to stand a five-year siege, and they took me to a building which was crammed with vast quantities of food — cornflakes, eggs, tins of tuna fish and sardines, cheeses, and so on. "Look at that!" they exclaimed triumphantly, flinging open the door. "That's not preparation for a siege," I said, "that's a

PX." "What's a PX?" they asked. I explained that it was a sort of cooperative grocery store and that all big American institutions abroad, civil or military, had one. I think they felt rather deflated at having to give up the idea of the five-year siege.

It was abundantly clear to me that the students were obsessed with the idea that the Americans might be preparing to mount another counter-coup. Nor was this anxiety without foundation. It was not surprising that the Americans should have searched around for some means of undermining the authority of Khomeini, which seemed in those days to be daily consolidating itself. They were doing their best to build up Ayatollah Kazim Shariatmadari as a rival focus of influence, and were working among the minorities with whom they had in the past had many contacts — the Kurds, the Azerbaijanis, the Baluchis, the Arabs in Khuzistan.

These minorities had all had some part to play in the Revolution and were looking for their reward. They feared that if they did not extract some concessions from the central government now they might never get any, and the Americans were quite ready to work on their impatience. It was impossible to persuade the students or Khomeini that the Shah's journey to the States did not represent the opening of a new stage in the American counter-offensive of which their other activities inside Iran was a part.

I found the students very conscious that the struggle they had embarked upon was going to be a long and difficult one. They knew that their demand for the Shah and his money to be returned to Iran was unlikely to be met, so they were going to have to prepare themselves for a prolonged operation.

Those inside the Embassy had divided the work up among a number of committees responsible for the food supplies of the hostages and of their guards. The Americans could of course be supplied with suitable food from their own "siege" supplies, supplemented by fresh fruit and vegetables from outside. The students were not keen to help themselves to the American food, however, fearing that it might contain pork.

This was a most extraordinary community — a closed society, in its way as isolated and inward looking as the hostages it had seized, a community fully conscious of the power it was exercising, proud to have the eyes of the world upon it. For years these young men and women had been living a precarious underground existence, many of them suffering at the hands of Savak, the Shah's secret police. Now anything they said or did was assured the attention of all the international micro-

phones and television cameras waiting expectantly outside the Embassy gates. It was an intoxicating change, and sometimes I got the impression that they were talking more to themselves than to anybody else, as if the could hardly believe the freedom of speech and action they had won.

Every member of this community seemed prepared to engage in endless discussions about the nature of Islamic society and Islamic government. They had respect for only one person — Khomeini. They were prepared to defy President Carter or anybody else. They cared nothing at all for the talk of international law, maintaining that the Revolution had created its own law and so could acknowledge no other authority than itself. I felt I was among people who were desperately sincere but woefully lacking in experience.

At my first meeting with the students, 70 to 80 were present to begin with, about 10 of them girls. Most of them were between the ages of about 19 and 25. Some of the men had beards, but not all. They were dressed in an incongruous mixture of clothes they had worn at home, and things they had picked up in the Embassy — jeans and combat jackets.

The girls gave the impression of being even more militant than the men — few of them almost frighteningly so. All of them wore Islamic dress, including chadors, but without the veil. (The wearing of the chador is not nearly as prevalent in revolutionary Iran as many people outside have been led to suppose; and when some days later I asked a colleague of mine, as a test, to check the number of girls in the Foreign Ministry who were wearing chadors he found that only two out of fifty were.)

After some time we were joined by other students coming direct from the university, so that by the end there must have been more than a hundred of them.

Our discussion was animated and wide. The main point to which they continually returned, was that Islam represented the only possible answer to the West. There was no hint that any of them had any use for communism. Profound as was their respect for Nasser, and of course for Mossadeq, they felt that these two had stressed nationalism more than Islam, and they argued that this had led them into dangerous compromises. And for the *murabbin* — the elite among the students — compromise was a word full of the most sinister connotations.

I explained to them that I was an unrepentant believer in Arab nationalism. I pointed out that the two main ingredients which made the Arabs a nation were language and culture, so that if I talked about Arab history and Arab nationalism I was automatically talking about Islam. But they refused to accept this argument.

At times the discussion became quite heated. It made me very conscious of the difficulties which obliged Sanjabi, Bani-Sadr, and Yazdi to resign as Foreign Minister, and which made it so difficult for their successor, Qotbzadeh, to operate at all.

As Yazdi later explained to me, he found it impossible to talk to the students. They could afford to be idealists, he said; the Foreign Minister could not. It was a dilemma which had been inherent in the Revolution from the outset — the conflict between dogma and human nature, between re-

ligion and history, between the absolute and the relative.

## Obliterating 25 years

The last words I heard from the students were "We have obliterated 25 years from the history of Iran." They insisted that they had occupied the Embassy buildings because it was these that had been made the headquarters of the counter-revolution; it was in them that the arrest of Mossadeq and the assassination of Hussein Fatemi, the two leaders of the first stage of the Revolution, had been planned.

So now, after a quarter of a century, the forces of the Revolution had wiped out the shame of its first defeat.

At the beginning of 1980, Heikal was approached in London by "a well known politician", and was asked if he would meet the American Under-Secretary of State, Harold Saunders, in an attempt to help the United States to resolve the hostages issue.

The next day the Under-Secretary of State arrived unofficially in London, and we had a private meeting at the flat belonging to my friend, Harold Saunders, who asked if I was ready to help President Carter, to which I replied that I was ready to help the Iranians, for I felt it was they who stood to gain most from a satisfactory solution of the hostage problem.

It had become plain that the hostages were not only bedevilling Iran's relations with the outside world, but were also complicating the power struggle going on between rival factions inside Iran. It was by then generally — and correctly — assumed that one of the secular leaders would be

rewarded with the presidency, while the mullahs would be allowed to maintain control in the Majlis.

Foreign Minister Qotbzadeh was hoping that a group of French lawyers, working on behalf of the Iranian Government, would succeed in obtaining an order for the arrest of the Shah, who was then in Panama, and that this would enhance his chances of the presidency. But Qotbzadeh failed to realize that the only thing which counted was the backing of Khomeini, and this was to go to Bani-Sadr and not to him.

After Bani-Sadr had been duly elected at the end of January, the Americans thought he would be able to arrange for the release of the hostages — which only showed how little they understood the true position inside Iran. At the same time they tried to work through the United Nations, and the Security Council called on the services of the Secretary-General, Kurt Waldheim, who, with the prospect of a second term of office looming in 1982, was nothing less than a man of letters. Meanwhile all sorts of volunteers were offering themselves as intermediaries, knowing that, thanks to the American media's obsessive interest in the hostages, this was the surest road to instant publicity.

The Americans were the more ready to clutch at any straw because they had no direct contact at all with the Iranians, and consequently reacted violently to every rumour coming out of the country. There was a moment, for example, before the UN mission arrived in Tehran, when the Americans were extremely agitated over reports that the students planned to kill all the hostages rather than hand them over to the mission, should this be

ordered by their Government.

I was able to confirm from friends in Tehran and Qom there was absolutely no foundation for this rumour, but it was depressing to find a super-power not simply badly informed but totally unable to understand the thinking of a people with whom they had been in the closest contact for 30 years or more.

I had a number of other meetings with Harold Saunders and with various Iranian officials, but broke them off after the disastrous Tapaz rescue attempt had effectively sabotaged all attempts at mediation. But the Americans did not give up, and not long afterwards I was again contacted by the same friend who had arranged the original meeting with Harold Saunders.

He had, he said, received a communication from Washington which seemed to him so strange that the only thing he could do was to hand it over to me. It turned out to be a directive, intended to be used by me in a new approach which it was hoped I would agree to make to the authorities in Tehran.

It was indeed a strange document, and as an illustration of how far removed from reality American thinking had moved I cannot do better than quote it verbatim.

The concept is to have Heikal go to Iran and present to Bani-Sadr a way to use rescue disaster to get the hostages released and the issue behind him. Heikal would persuade him of the unique opportunity this represents for him to ride the crest of Islamic nationalism to solidify his own position. To the extent Khomeini shares the desire to be rid of the problem the concept could be presented to him.

The theory Heikal can draw on are as follows: A. The success of Iran's revolution has been clearly and finally demonstrated with the humiliating defeat of the US Government's rescue mission. B. The American hostages have served the purpose Iran has wanted. They have served as a pretext to show the world the dramatic evils of the Shah's regime and the US Government's support for it, and America's inability to mount the rescue operation is the second and final attestation to the justice of their being taken. (For example, the Iranian act brought about an American reaction which only underscored in its failure the message which Iran originally wanted to get across.) The hostages just are not needed any longer.

C. The hostages will be released. Iran never intended them any harm anyway. The gesture demonstrates Islam's magnanimity and compassion. There was never any hatred for the American people, only the US Government. (Let the hostages go now and make the Americans look even more foolish and inept. Perhaps fly them out via Tapaz along with newspaper correspondents and news down their disparaging comments, etc.) Iran and Islamic Republic emerge as both victorious and morally superior.

D. The captors emerge victorious and are national heroes. They have not hurt anybody. They have honoured the dictates of the Imam. They will be rewarded amply by the Government, and recognized especially by the Imam. It may be the last time the captor force can be gotten off the compound without somebody in Iran losing face in the process.

E. The release itself should be announced by Iran itself as being a dramatic act of clemency and mercy for the hostages, which was taken by Khomeini himself. The procedure for release affords Iran tremendous propaganda opportunity, cloaking the whole miserable five months in an aura of decency and mercy. Iran thus refurbishes the image of Islam, something all Moslems in the world would wish to happen. The US Government, as opposed to the American people, is again scored for its enmity towards just causes, and in no way represents lessening of Iran's battle with US Government or a compromise with it. End message.

I was to get other messages from Washington after that, but my information from Tehran was that all lines of communication with the Americans had become hopelessly mixed up. The Iranians had no idea who was supposed to be talking to whom, or which of the many signals they were receiving represented the real American attitude.

More a loss than a gain

It was at this point that I and some others suggested that it would be more sensible to drop the idea of intermediaries. The Algerian role suggested itself as an alternative. Here was a country which already represented Iranian interests in America, which had a government that was both Islamic and revolutionary, and which was served in Washington by an extremely able ambassador, Abdel Karim Ghurair. It proved to be he who was able to set in motion the process of negotiation which was brought to a successful conclusion in January 1981.

I think it has to be admitted that in the final analysis the Iranians lost more over the hostages than they gained. True, they had, through the hostages, humiliated their arch-enemy, America, but they were not, as they liked to boast, the first to humble a super-power. The real defeat for the Americans was the fall of the Shah. There was no need to add to that, and the continued detention of the hostages was used by America to isolate Iran and to make its rulers look both ruthless and incompetent.

I can understand Khomeini's point of view. When I said to him that taking the hostages was contrary to international law, his answer was to ask what benefit international law had ever brought to Iran. Had it prevented the Shah from laying his hands on the country's wealth? Had it stopped the Americans from violently overthrowing a constitutional Iranian government and killing its leaders? I had to admit that it had not.

"Very well," said Khomeini. "We do not consider that international law has ever been respected when it applies to Iran, and we do not see why we should respect it now ourselves." However reasonable this argument might be, it was not one which was readily understood by the rest of the world, and as the dispute over the hostages dragged on it became less and less convincing.

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## The Great Mosque: fanatics who failed

One of the most extraordinary incidents in recent Middle Eastern history, can be directly attributed to the influence of the Iranian Revolution. This was the attempt in December 1979 by a group of fanatics to take over the Great Mosque in Mecca.

A cardinal element in the belief of the Shi'is is, that the Imam will eventually return to fill the world with justice. But the idea of Mahdi, one guided by God, who will restore the faith and usher in a golden age, is a popular belief among Sunni Moslems also. The Mahdi whose followers conquered most of the Sudan in the 1880s is only one of many such leaders who have arisen throughout history.

A well-known saying attributed to the Prophet Mohammed declared that at the beginning of every century (calculated by the Hijra calendar) a messenger will appear, bearing his (the Prophet's) name, and will be recognized by the people in the Great Mosque at Mecca between the *Hajar* (the Black Stone) and the *Maqam Ibrahim*. 1979 saw the beginning of the fourteenth century according to the Hijra calendar, just as the emergence of the Sudanese Mahdi marked the beginning of the thirteenth.

As the new century approached there was a general atmosphere of expectancy among the pious. They recalled the Prophet's words and they were conscious of the resurgence of Islam, particularly in Iran; some, indeed, went so far as to identify Khomeini as the long-awaited Imam.

One of those strongly affected by this apocalyptic atmosphere was a Saudi Arabian called Jubair al-Oteibi, a man of commanding presence, a Wahhabi fundamentalist of the strictest and most puritanical sort. Although he had never been in Egypt, Oteibi had a small book called *The Real Islam* printed by one of the small

presses near el-Azhar. It attracted no attention. He had fallen out with the Saudi authorities and had been arrested, moved to Kuwait and deported.

Then he came across a young man called Abdullah Qahtani. Here indeed was someone bearing the name of the Prophet, for Mohammed's father's name was Abdullah and Qahtani was the legendary ancestor of the Arabs. Oteibi persuaded Qahtani of the great destiny awaiting him, and took him round the tribes to present the Mahdi to them. There can be no doubt that he was activated by purely religious motives; he had been wished to stage a coup he would have gone to Riyadh, not to Mecca. As it was, he collected about 400 people round him, armed tribesmen with a tradition of warfare and ready to die for the cause in which they now generally believed.

Oteibi, however, did not expect to die. He was convinced that when he showed Qahtani to the people in the Mosque they would recognize him for what he was and give him their acceptance (*bay'a*).

His preparations were made with military precision. Some months before the appointed day he began storing arms and supplies in the cellars beneath the Mosque. These *serdabs*, as they are called, provided an underground warren where he could work undetected. (In the old days, when travelling was much more difficult than it is today, many pilgrims stayed behind in Mecca after the *haj* ceremonies were over, either because they were too ill to move or because they had no money for the return journey. In the cellars they could find refuge, but in these days of affluence and air travel the refuge was no longer.)

When the day came, Oteibi and his followers entered the Mosque from their underground hideaway. He seized the microphone used by the preacher of the sermon and

harangued the congregation: "Your attention, O Moslems! Allahu Akbar! The Mahdi has appeared! He is here between the *Hajar* and the *Maqam*. Remember the words of the Prophet! Now is the time! This is the man! Bismillah ar-Rahman ar-Rahim!"

But his words fell on deaf ears. The people did not respond as Oteibi had thought they would. They watched in bewilderment, some leaving hurriedly, some staying out of curiosity, but there was no sign of a spontaneous move to give the people's *bay'a* to the Mahdi. Then the guards moved in, and the shooting started. Oteibi too was armed, and his followers knew what to do. They occupied the minarets, which gave them control over the entrances to the Mosque as well as its interior.

King Khaled and his government were taken completely by surprise and had no idea how to act. This was, after all, the holiest place in the whole Islamic world. What would be the reaction if they used tanks to break the doors of the Mosque, which the insurgents had closed? For days both the army and the National Guard showed themselves quite incapable of bringing the situation under control.

What the Saudi authorities were trying to do was to find a way of listening to the insurgents, who had retreated to the *serdabs*, and so learn what they were planning to do. They found an underground path which led them close to the insurgents, but as soon as troops tried to force their way in by it they found themselves exposed to fire from the defenders.

So a team of commandos specially trained outside for this sort of operation had to be flown in. By surrounding the whole area occupied by the insurgents, and with the use of sensitive listening devices and gas, they were eventually able to kill or capture all of them — but not until fifteen days after the first attack.

Tomorrow  
The mind of the  
Ayatollah







# Liverpool: why the clue to violence is economic not racial

by Philip Waller

Fellow and Tutor in Modern History, Merton College, Oxford

The Chief Constable of Merseyside, Mr Kenneth Oxford, has blamed the weekend rioting in Liverpool on local hooligans. The destruction and looting, he claims, were the set purpose, not a casual consequence, of the disturbance; although many among this anarchic and criminal party had black skins, it was not exclusively composed of blacks and the issue was not racial.

No mere academic observer should lightly disregard the witness of policemen on the spot. But a criminal element is only menacing insofar as it can locate itself in, and feed upon the genuine grievances of a community.

Two broad dimensions to the Toxteth disturbances should be considered. One is the series of riots in other parts of the country. It would be surprising if there was no connexion. That there is an imitative and competitive aspect in communal disorders is indicated from a variety of experiences in the past, in many an industrial dispute, in spasms of adolescent gang warfare, or in the prolonged sectarian upheavals of Northern Ireland.

The second dimension to the Toxteth disturbances is altogether more intriguing, and that is the particular Liverpool quality, which may give us a clue to answer the question, why Liverpool and not Manchester, Birmingham or elsewhere?

Liverpool has not enjoyed a history free from disorder but for mainly economic rather than racial reasons.

The first cause of the traditional Liverpool tumult is derived from the Protestant-Catholic fissure. The Irish problem was translated to Liverpool with the thousands of Irish people who settled there and who made up between a quarter and a third of the entire population of the city, in the late nineteenth century.

The preference of the politicians for too long was to harness these clashes to the political parties rather than to address the associated social and economic needs of

the different communities and to reconcile them. This conflict matters less in Liverpool now, as the proportion of Irish born is insignificant and as religious devotion has dwindled; only fitfully, in debates over education or moral expression (like abortion) does it surface.

The second cause was the immigration of east European Jews, fleeing —

**'Uneloquent though they may have been, the rioters have something to say, and that is about the intolerable circumstances they have been condemned to endure'**

pogroms of the late nineteenth and early twentieth centuries. It brought no disorder to Liverpool comparable to that in east London; but the concern which the Liverpool trades council expressed at that time about the invasion of the tailoring, furniture and footwear trades indicated that a sudden increase of workers in a limited range of occupations inescapably engenders social distress.

In the 1880s the emergence of a Chinese community in Liverpool did result in physical violence. A particular source of animus against the Chinese was the contemporary political controversy over legislation to restrict alien immigration, and a concern for the purity of the so-called Anglo-Saxon race; but the yellow peril did not exercise many beyond a few deranged social Darwinists.

And the Liverpool Chinese, while still in part continuing to live in a core area around Pitt Street have spread and married into the general community with relatively little fuss.

The history of the blacks in Liverpool replicates certain features of the Irish and Chinese experiences but has special forms too. The first point of emphasis should be that the Liverpool black community is in part very old established and in origin west Africans as well as west Indies. It settled from the late nineteenth century, by and large from black seamen employed on the elder Dempster and other west African shipping lines. Hence some at least of the Liverpool blacks are third generation Liverpoolians. For the most part they have excited little notice, although some anti-Chinese demonstrators in Edwardian times attempted to include them in their campaign, and there were several confrontations between blacks and whites in May-June 1919 and in July-August 1948.

But to nominate isolated incidents "race riots" is to imply that particular acts of aggression represent the broad and "true" attitudes of entire communities. This is almost certainly wrong, for again, like the Liverpool Chinese, there has been a remarkably high rate of intermarriage with the native community. During the Second World War when West Indian workers were added to the Liverpool African community in order to accelerate more productivity, this swelled the number of adult male blacks in Liverpool from about 500 to 3,500.

The tensions that erupted in 1948, however, were comparable to those of 1919 and were mainly economic in character, namely the displacement of black labour recruited during the wartime emergency by returning servicemen. Significantly, though, there was no incidence of street clashes.

Black seamen had also been singled out among other "aliens" by a Liverpool MP, who in 1931 was concerned about the shrinking employment prospects of the port during the great depression.

In a recently published



'Where do we land?'

study of Liverpool's history in the last hundred years, I argued the matter thus:

"Some parallels exist between the sense of injury and frustration felt by Irish communities in Liverpool from the 1840s and the grievances about status and security felt by coloured communities from the 1940s. There was the same tendency to be supplied with shabby and expensive housing; in work to be left the dirty jobs, to be accused of accepting lower wages and inferior conditions, to be overlooked in promotion, and to be more vulnerable to redundancy and unemployment; in social relations the same tendency to isolation, clustering in certain districts; and in

habits and behaviour to be thought outlandish, passionate, and disorderly. In numbers the new immigrants are less considerable than the old Irish, but colour and race lend a novel and aggressive distinction to them, which is hardly softened by the Liverpool wit that calls a negro a smoked Irishman."

Riots, Martin Luther King once famously decreed, are the voice of the unheard. It is probable that the Chief Constable of Merseyside is correct to observe that some groups which participated in the disorders did so with criminal intent. Looting has accompanied not a few disturbances in Liverpool and elsewhere in the past and doubtless will again. But it

seems equally indisputable that uneloquent though they may have been, the rioters have something to say, and that is about the intolerable circumstances which they have been condemned to endure.

What politicians must avoid is politicizing the "racial" aspect of the disturbances. That this is a part of the problem is clear but it is mostly a chance consequence of the economic conditions the coloured communities should not have to shoulder a political burden on top of their economic misfortunes.

*'Democracy and Sectarianism: a political and social history of Liverpool 1868-1939. Published by Liverpool University Press, 1981, £24.50.'*

afterwards when Mrs Thatcher demanded spending cuts in all government departments, but the Rome embassy was not sold to a Saudi prince. Instead, the BBC External Services was again chosen as the sacrificial lamb.

Arguably in these hard days we must all share the burden. Even the trade unions have accepted redundancies at British Leyland and elsewhere, but any chief executive of a company struggling to survive would think more than twice before cutting an efficient department.

If a comparison can be drawn between diplomacy and the vulgar world of commerce, the External Services are such a department. There is enough unnecessary flab in the Diplomatic Service which can be removed without a diminution of efficiency. For instance, and this is only one instance, the Diplomatic List published in Washington shows that the British embassy has 75 diplomats and attaches compared with 63 at the West German embassy. The United States embassy in London has 67.

course the cuts will be painful, but the increase by 100 per cent in the Sixties was painful also. If we can arrange them with the same care as the UGC in our individual

Louis Heren

# Learning to live with education's slimmer figure

What in the world possessed a decent, hard-working scholar like Randolph Quirk to abandon his academic work to become Vice-Chancellor of London University? The Quain Professor of English Language and Literature at University College, London, is enthroned on the oldest chair of English in the country. No previous Quain Professor since 1828 has left the chair except first or to honourable retirement.

Quirk's life work, the majestic survey of English usage that he started 25 years ago, has reached critical point. An intricately organized programme of writing has started to produce the vast *A Grammar of English* by 1982. The careful eye of scholarship little notes nor long remembers the names of Vice-Chancellors. Quirk's name will be remembered centuries from now for his pioneering work on living grammar. Why, in the name of all true scholars from Aristotle to Einstein, should he not be president over what some might describe as the demotion and others as the demise of higher education at the University of London by imposition of government cuts? The bust of Quain Professor in his room at University College, papered floor to ceiling with books, looked startled out of their customary gravity.

Randolph Quirk spent 37 days in a wilderness agonizing about the decision. It is significant that, when the University of London rightly felt itself threatened, its democratic processes for electing a Vice-Chancellor should have fallen upon somebody so completely identified with research and teaching, and not at all with academic politics and administration. Quirk is a true scholar who believes in academic excellence. When, in doubt, London University got itself a man who, however deficient in managerial and political skills, believes passionately in the values of the Senior Common Room.

He believes that they must be maintained in spite of the cuts: "Just as we were able to demonstrate after Robbins that more does not necessarily mean worse, so we can demonstrate that less does not have to mean worse. But there is a great danger to the system if you try to make such changes too fast or too crudely across the board."

He says: "The idea that universities cannot tolerate change is manifest nonsense. We changed the system beyond recognition in the eight years after Robbins. Universities should be in the vanguard of change. It is not change that is dangerous, but change that is too fast and ill-considered."

He took the poisoned chalice of the Vice-Chancellorship because he truly believes that the British university system is the best in the world and must stay the best. Nowhere else do you get three years of concentrated education in constant touch with your teachers. Nowhere else do you get the custom-built of individual character and individual learning. The staff-student ratio is far more favourable here than in other countries, and we deploy staff more usefully. Any student in a British university knows that there is a don devoted to his or her particular intellectual formation."

The new Vice-Chancellor congratulates the University Grants Committee for the way they have managed their virtually impossible task. They have taken extraordinary care within their abilities and the financial restraints, to ensure that the best remains the best, and possibly even improves; that the universities continue to serve the country and to preserve the wide range of subjects which the sciences, the arts and the humanities have made in such necessary fields as technology. They have let the cuts come where they will do the least damage.

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universities, they can be healthy rather than damaging. The loss of 10 per cent from the body academic, if carried out with care and deliberation, can be as beneficial as a loss of 10 per cent weight from the body Howard."

He thinks it is unfortunate that the UGC considers only universities, not higher education as a whole. "It worries me greatly that, while the Government is trying to be fair to the other side of our binary system, the policy makers are being rationalized and cut independently. There is no method of comparing the performance of university with polytechnic, or even polytechnic with polytechnic. If we end up with a rational system of higher education in this country, it will be by luck rather than good judgement."

Quirk strides up and down the Quain Professor's room, waving his arms and tossing back his hair. "It may not be a popular view, but it is the truth, the £1,000,000 spent on higher education is well spent. The Government and our society get damned good value for their money. It is our job to see that you continue to get the best."

When Lord Scarman came to his room to tell him that he was the unanimous choice of the appointments committee as Vice-Chancellor, Randolph Quirk asked: "Why me? Why not one of the best distinguished economists who have signed a letter to *The Times* today? Why not one of the 64 Fellows of the Royal Society on the payroll of London University? Medicine and heavy science are the conspicuous strengths of London."

London has had more FRSS Vice-Chancellors than a prudent man would shake a test tube at. Quirk is the first Fellow of the British Academy.

Eventually, he says, partly out of sense of duty, he reckons that if you are privi-



Professor Quirk: from academic chair to hot seat

leged to do research and teach in a university, and so have a right to govern the organization that employs you, you must do your bit.

Quirk also said yes because he likes a huge challenge, and is determined to preserve the high excellence of the University of London and of British universities generally. It would be a black day if Randolph Quirk were to leave for ever from the lecturing hall (discussing intimately about such mysteries as why data is becoming a singular like "sugar"), the study, and the Survey of English. Luckily it is not going to happen. He is to embody and to preserve the grooves of Academic completely for the corridors of power. He is being allowed to keep his room at UCL.

He has always worked an eight-day week, starting when other men are nearing breakfast, and ending when they are in bed. After six months in office he will begin to slip back to academic work on Saturdays and Sundays. The Survey goes on. *The Grammar of English* will be written on time. He will continue to give witty lectures, whose irrelevance will be subtly relevant. The most definitive grammar of the most important language on earth will carry majestically on. And Randolph Quirk will continue to embody and to preserve the excellence of English scholarship.

Philip Howard

# The diplomatic alternative to the cuts at Bush House

Diplomacy, according to the *Oxford English Dictionary*, is the management of international relations by negotiation, but that is too limited a definition. The collection and dissemination of information have long been essential functions of diplomacy, which is why ambassadors invite journalists to dinner despite the aversion of one for the other.

It explains why the BBC External Services at Bush House are funded by the Foreign and Commonwealth Office, and why the Secret Intelligence Service, or MI6, reports to the Foreign Secretary.

Diplomats were regarded as spies long before the SIS was established, and the importance of informing and influencing public opinion at home and abroad has been recognized at least since Bismarck, who appointed the first known information officer—von Busch—as I recall. The practice of appealing to peoples over the heads of their governments was begun by the Soviet Union, and ever since the air waves have been filled with propaganda from authoritarian countries and news and views pro-

grammes from the western democracies.

The Foreign Office was slow to recognize the importance of information, although the BBC External Services are by international common consent the best in the world. It is difficult to explain and to justify the announced reduction of the Services' budget, the seventh in eight years.

I used to think that it was because of that well-known aversion to journalists. I can remember some British ambassadors, and one information officer who would have been lucky to get a job on a provincial weekly paper, who refused to exchange information or meet me. Not that it mattered; I could always call on the Americans and ambassadors of other allied governments. Admittedly that was in the early post-war years, when it

was still possible for the more pompous to believe that they represented a great power. Self-delusion was also fostered by the grandeur of some of the embassies in which they lived.

Obviously too grand

British ambassadors represent the Monarch, and not the Prime Minister. The Queen has no power, of course, but one fiction nurtured another. During my years as a foreign correspondent I met ambassadors who appeared to believe that in some metaphysical way they represented a power greater than the incumbent government. Certainly they were obviously too grand to consort with Grub Street hacks.

This is not sour grapes. When Britain actually ruled the waves, the Foreign Secretary rarely delegated authority and employed a small staff. When

they are a dying breed, and the new men are more realistic if only because they have grown up in the shadow of American and Soviet super power. There must be another reason why they are prepared to do much damage to the BBC External Services.

I think it would be understood in trade union offices in that priority is given to finding—or keeping—jobs for the lads. Rather than further reduce the staff of, say, the Westinghouse embassy to the levels of the West Germans, who appear to do just as well with fewer men, they prefer the elimination of seven BBC foreign language services and its transcription service.

This is not sour grapes. When Britain actually ruled the waves, the Foreign Secretary rarely delegated authority and employed a small staff. When

Dr David Owen was at the FCO he had four ministers of state and a host of senior officials. He complained that when staff reductions were made only elderly messengers and clerks were declared redundant and the senior staff was actually increased.

One senior official said the Diplomatic Service was still burdened with expensive ornaments of our imperial past. The chancery building in Washington was much too large, and he dreamed of having it torn down and moving the staff, drastically reduced, back into the old Lutyens building. He also dreamed of selling the grandiose Rome embassy, designed by Sir Basil Spence, and replacing it with two rented floors of a modest office building. The opportunity came soon

afterwards when Mrs Thatcher demanded spending cuts in all government departments, but the Rome embassy was not sold to a Saudi prince. Instead, the BBC External Services was again chosen as the sacrificial lamb.

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# Lord Lichfield's act of enclosure

The villagers of Gnosall in Staffordshire have chosen an infelicitous time to cross swords with their local squire, Lord Lichfield, whose estate covers 8,000 of the village's 10,000 acres.

The debonair Lichfield, 42, who likes to be known locally as Patrick, has quite enough on his hands as official photographer for the Royal wedding.

I am sorry to report, however, that the Queen's cousin has been accused of acting in what I am sure is uncharacteristically feudal fashion in seeking to remove the villagers' rights to the use of Hollies Common.

His lordship, who was too busy to speak about it yesterday, wants to deregister the common and convert it to farmland.

Under ancient statute the villagers' rights are defined as pasture, pannage, estovers, turbary and piscary, which means that the 2,039 locals may graze cattle and pigs, gather wood, cut turf and catch fish.

According to Duncan Mackay, deputy secretary of the Commons Open Spaces and Footpaths Society, which likes to describe itself as the oldest conservation group in Britain, Hollies abounds in wildlife, including buntings, warblers, finches, yellowhammers, cuckoos and snipe.

The common overlooks an equally prolific marshland which the trustees of the Lichfield estate also want to drain and convert to farm-

land, the sort of issue which has been at the centre of the recent debate on the Wildlife and Countryside Bill.

In seeking deregistration of the common, Lichfield has joined the Earls of Halifax and Scarborough who have taken similar action over parts of their Yorkshire estates. While hesitating to describe the inhabitants of Gnosall as peasants, Mackay points out that as well as being the year of The Wedding, 1981 is also the 600th anniversary of Wat Tyler's revolt.

# Fringe benefit

Dario Fo, the 55-year-old left-wing Milanese playwright and comedian, will be treating the tottering West End theatre establishment to a curious spectacle next week with a special benefit performance of his slapstick comedy *Can't Pay? Won't Pay!* at the Criterion.

Not only will the Criterion be opening its doors to help raise funds for the fringe lefties of the Half Moon Theatre ("The People's Palace" in London's East End) but for the militants at *Time Out* magazine and a weird collection of self-styled radical midwives.

The Half Moon (recipients of a £50,000 Arts Council grant as well as £10,000 from the Peoples' Republic of Greater London) will take another cut from the proceeds towards rebuilding and equipping

their new premises. And the Association of Radical Midwives—a loose collection of ladies who encourage "women's active participation in childbirth" (seems reasonable)—will also take a share.

Fo's play tells the story of housewives who spontaneously "liberate" much needed goods from a supermarket.

The Criterion seemed unable to explain why, for other than philanthropic reasons, they are staging this extravaganza. But a spokesman admitted: "It's certainly unusual and a radical new approach for the West End. Perhaps we're coming to recognize how important fringe theatre is, and how important *Time*

# THE TIMES DIARY

A sickeningly brilliant "new" Mozart symphony, written when the lad was nine, will be played for the first time in Britain tomorrow some six months after its discovery in a private collection in Germany.

Clive Bennett, the BBC music producer, will record it with the Academy of Ancient Music, directed by Christopher Hogwood, for transmission on Radio 3 next month.

Bennett tells me: "It was written just after his pre-natal period but not actually on the back of a

mother's box. It lasts 14 minutes, has three movements, good notes, nice orchestration and shows what a brilliant child he was."

Until its discovery and purchase by the Bavarian State Library, the existence of the symphony remained a mystery. Tantalizingly, on the third page of the cover for another symphony (Köchel 19), Leopold Mozart, the boy's father, jotted down and crossed out 15 bars of the first violin part of a symphony in F. But that was all anyone knew of the piece. It was written in London in 1765 but the score was taken back to Salzburg by Leopold that year.

Out is, and how important radical midwives are to... well I don't know."

Caught out? Richard Branson, the youthful head of Virgin Records, is to launch a new guide to what's on where in London this autumn in direct competition to Tony Elliott's *Time Out* magazine which has been kept off the streets by an industrial dispute.

Yesterday Al Clark, aged 33, one of the two joint editors of the new publication *Event*, the first issue of which will appear on September 3, told me that Branson finally gave the go-ahead just before the week-end.

Branson, who has been considering starting a new weekly along these lines for some time, is prepared to invest as much as £400,000 in *Event* which will aspire to offer a comprehensive and accurate listing service as well as feature material.

Meanwhile over in Covent Garden the *Time Out* dispute lingers on. While "certain discussions have been taking place with national officials" the picketing continues



and Tony Elliott continues to hope for an amicable settlement of the pay disagreement with his staff.

# Dynastea

Romilly Hobbs, who runs a food shop in Covent Garden which is at once exquisitely beautiful and hideously expensive, has introduced some new wines to London. They are not wines but teas—and, to be more precise, tea-bricks such as Chinese mandarins once used to pay their taxes.

On a recent visit to China, Mrs Hobbs learned that village tea bricks are still a much valued commodity there. "An Chinese who takes his tea seriously gets frightfully excited about vintage teas," she says. "They are compressed into bricks, some of them very pretty indeed, with embossed patterns and shapes like birds' nests."

Mrs Hobbs can now offer a 1961 Pail Lei at £17.95 a brick, but whether 1961 was as good a year in tea as it was in claret she feels unqualified to say.

Recent suggestions that those guardians of the nation's social mores down at Debreu's Peergate are in danger of populist tendencies are premature.

Plans to produce a "Better Services Guide" which would advise just "anybody" on the most economical and helpful shops and services in the Greater London area have, mercifully, been superseded.

A new editorial policy consequent on the company's change of owner-

ship earlier this year now means that the guide is to be rescued for its proper constituency—the very rich and successful—after all.

A spokesman for Debreu's, which hopes to publish the guide in the summer of 1982, told me yesterday that the emphasis is to be switched from economy to convenience. The ho! polloi it seems will just have to wait for the return of *Time Out* unless of course there's another palace revolution in Debreu's Britannia Road headquarters.

# Spaced out

*The Right Stuff*, Tom Wolfe's account of the men who pioneered America's space programme, had been bought by United Artists for \$500,000 and was to begin filming in the autumn, but now it is a victim of the knock-on effect of United Artists' massive failure *Honoring Gato*, which cost \$47m. The Wolfe project is now being hawked around Hollywood but there are few takers.

The spate of riots in Britain has been put neatly into context by a report from South Africa of a dialogue between a reporter and a police chief at the scene of a recent township riot. Reporter: "Don't you use rubber bullets instead of just 'anybody'?" Police chief: "The dry they throw rubber rocks we'll shoot rubber bullets."

Fair exchange? The spate of riots in Britain has been put neatly into context by a report from South Africa of a dialogue between a reporter and a police chief at the scene of a recent township riot. Reporter: "Don't you use rubber bullets instead of just 'anybody'?" Police chief: "The dry they throw rubber rocks we'll shoot rubber bullets."

Michael Horsnell

This is will app costs a forced decision Great r thank over the



# Le Monde LA STAMPA THE TIMES DIE WELT Europa

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Inflation not unemployment the  
issue of 1980s?

## Mitterrand at the summit



The most important thing about President François Mitterrand, or the other six heads of governments present at this month's world economic summit in Ottawa, will be that he is there at all. The election of the first Socialist President of France for nearly 30 years is certain to raise one fundamental question in the minds of all the other participants at the meeting: "Are we right that inflation, not unemployment, is the issue of the 1980s?"

That is the question posed by the defeat of President Giscard d'Estaing in the presidential elections and reinforced by the sweeping Socialist victory in the French Parliament. Throughout the last decade, leaders of the Western world have edged painfully to general agreement on what was wrong with the world economy and what needed to be done to put it right.

Ever since the oil shock of 1973, there has been common assent that inflation had to be put top of the list of priorities throughout the Western world. It was regarded as the most important issue and agreed that it must be dealt with first. Only after price stability had been restored could jobs be expected to come back.

There was not merely agreement about the targets of government policy. There was also acceptance of the means which had to be adopted, most strikingly of the need to control money supply and reduction of government deficits. The monetarist counter-revolution swept across all big industrial countries and, more surprisingly, across most of the main democratic parties.

The Labour Government of Mr James Callaghan adopted monetary targets, cut public spending and warned people with as much fervour as any conservative could have displayed that they could not spend their way out of recession.

What gave this policy its power was that it was not merely an abstract economic proposition. Election after election seemed to show that it reflected the preoccupations of ordinary people. The recession of 1974 and 1975 left many leaders deeply surprised by how little political impact rising unemployment seemed to have. By the end of the decade, it had become a cliché of political life that only the unemployed care about unemployment; the rest of the population worry about rising prices.

That cliché seems very fragile now. Although in France there were deep-seated pressures for change, there seems little doubt that dissatisfaction with the country's economic record was one of the contributory factors leading to President Giscard's defeat. Yet the economic policy of M Raymond Barre, the defeated Premier, was drawn straight from the pages of monetarism after communiqué of the world's economic summit, from Rambouillet to Venice. If that policy could fail electorally in France, might it

not also falter in Britain or Italy, or even Germany?

There is no reason to think that M Mitterrand will be too shy to point out the lesson of his election to his partners. There are already signs that the fragile unity of international economic diplomacy is starting to crack. At last month's meeting in Paris of the Organisation for Economic Co-operation and Development, the French Government launched a tough attack on the United States for its high interest rates.

American interest rates have become the touchstone for dividing the expansionists from the tight money advocates in the world today. Those who favour a generally tough stance say that it is in everyone's interest that the Americans get their inflationary house in order. Those who are in favour of more expansionary policies say that the Americans are straining all the other economies in the world as well as their own by their willingness to push interest rates to unheard-of levels. The Mitterrand election makes it even more likely that the interest rate war will loom large in Ottawa.

It seems equally certain that the French Government will push even harder than its predecessor for the West to take a more active role in its dealings with the Third World. The regime of President Giscard d'Estaing always sought good relations with developing countries, but the Socialist Government seems likely to have more sympathy with the specific programmes those countries are putting forward and with their political aspirations.

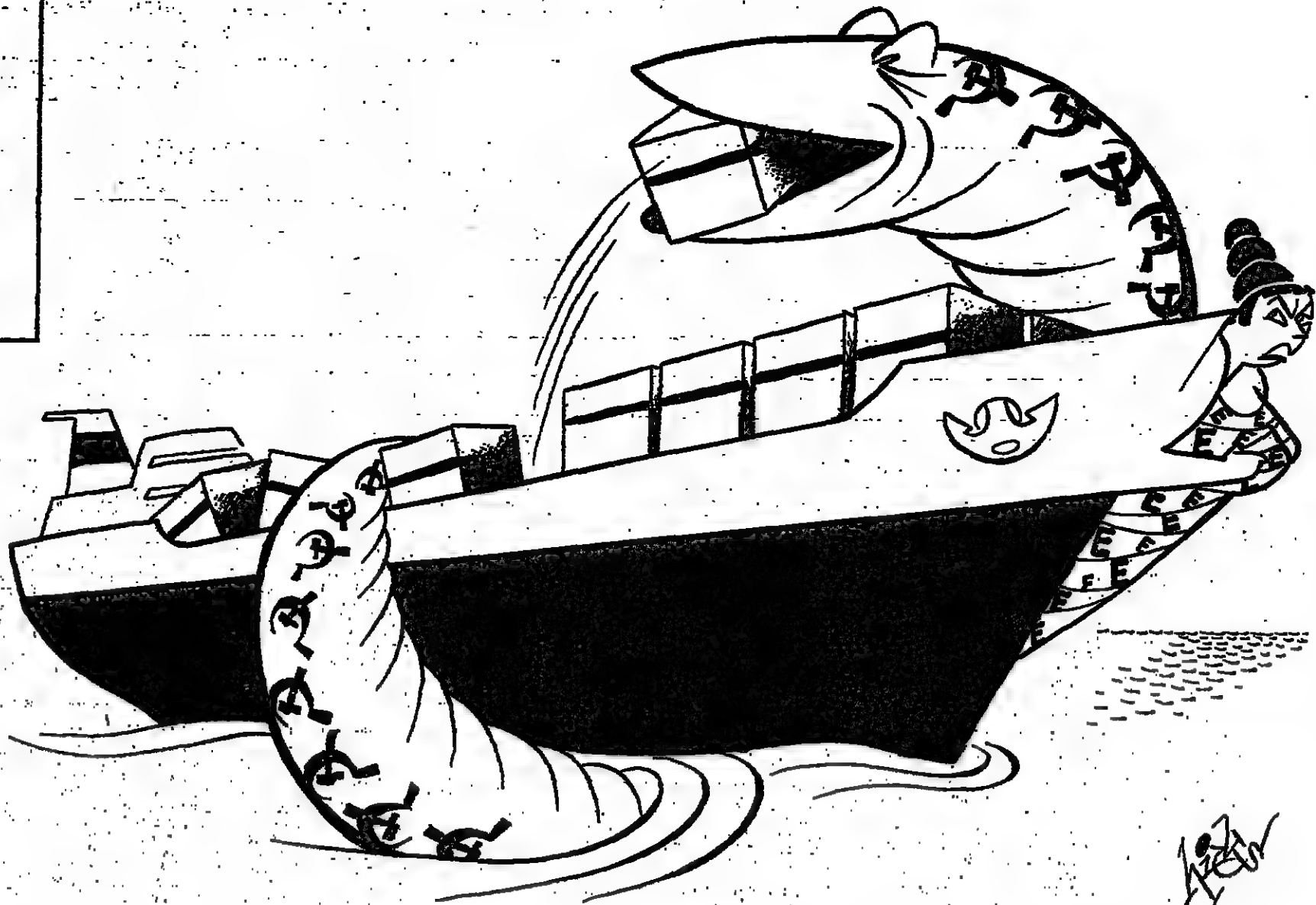
This is unlikely to mean that the West as a whole will swing round to the sort of policy that the developing countries would like. But it does mean that any final communiqué agreed at Ottawa is going to be more positive in its tone than countries such as the United Kingdom would like to see. The short-term effect of the switch in the French leadership is likely to be the introduction into the summit communiqué of even greater blandness than usual. Every phrase that contains a warning of the dangers of inflation will have to be matched by another phrase stressing the need to reduce unemployment.

In the longer term, however, the presence of someone who questions the certainties that have dominated past summits ought to have a good effect on what has recently seemed to be an increasingly moribund institution. One of the most striking features of previous summit meetings was the extent to which they were not used for serious discussions about whether traditional demand management and pump-priming techniques could help us in our present dilemma. The presence of M Mitterrand means that those questions have been put firmly back on the agenda.

David Blake  
Economics Editor

### The Times and Europa

This is the last issue of Europa which will appear with *The Times*. Increased costs and inadequate revenue have forced us to suspend publication. This decision has been taken with very great regret, and we would like to thank our readers for their interest over the past seven and a half years.



The Ottawa summit this month provides the Western nations with an opportunity to discuss not only their own economic affairs but also the positions they will adopt on talks later in the year with the Soviet Union.

Transport in all its forms is one such topic and deserves further study in the context of East-West relations. Below and on page 3 some of the more important elements are examined.

## How Russia is grabbing the shipping lanes

Yesterday, the fifth round of German-Soviet shipping talks began in Hamburg. Until July 9 the experts will — yet again — be trying to find ways of achieving a fairer distribution of cargo between Western and Eastern shipping companies. The Association of German Shipowners (Verband Deutscher Reederei — VDR) continues to hold the view that Western liner traffic is threatened by Soviet state undertakings. The situation of German shipowners is valid for the whole of the EEC.

Since 1978 the West German Government has been trying to ensure first that German shipowners obtain a fair share of bilateral traffic, and second to prevent the German fleet being squeezed out of routes between foreign ports (so-called "cross trade"). In June 1981 the VDR said the situation was particularly critical on three routes: the Caribbean to Europe, Europe to East Africa and the Far East to Northern Europe.

On the Caribbean-continental Europe route the Russian-Baltic Line and the Russo-Finnish Scan-Pac Line are making use of their spare capacities on the return voyage from Cuba. According to VDR estimates, the two lines were already carrying some 32 per cent of all cargo from the West Indies to Europe — mainly coffee and cotton — in 1979 and 1980.

In the case of coffee, these lines were undercutting conference rates by as much as 30 per cent. (A "conference" in this connexion is a regional association of independent ship-

owners observing agreed tariff freight rates and having standard shipping contracts, sailing frequencies, ports of call and shares of business).

In the Central American region as a whole the Soviet state shipping organizations have managed to secure a 12.4 per cent share of the market in only four years.

On the East African route the Russian market share has reached almost 9 per cent. Last year alone the Soviet fleet carried 500,000 tonnes to this destination. On sailings from European ports freight reductions of up to 40 per cent are being offered, although, as the VDR in Hamburg emphasizes, "There is no sign that the reductions are based on economic criteria, such as improved productivity". Particularly hard hit is the German Africa Line (Deutsche Afrika Linie — DAL), of Hamburg. Three years ago four of the six sailings each week were by DAL vessels; now the number is down to one.

It is particularly striking that West Germany is the source of most of the cargo for this region, whereas, apart from armaments, the Russians do not supply a single tonne. Another area where the situation is critical is the Far East to Northern Europe route. Here the Far Eastern Freight Conference (FEFC) is in competition with another outside shipping concern, the Bal-Orient. The latter has been able to capture about 45 per cent of conference tonnage.

An important additional factor affecting this trade is the further competition to shipping provided by the Trans-Siberian Railway.

The only route on which there is no competition from Soviet ships at present is the North Atlantic, from which the Russians have had to withdraw for political reasons (their vessels are boycotted in United States ports).

Meanwhile the Soviet merchant fleet is being rapidly improved and expanded. It has grown far faster than the country's foreign trade. While 10 years ago the ships sporting the hammer and sickle on their funnels numbered only 2,131, with a gross tonnage of 9,800,000 (about the same as the German merchant fleet), by the end of June 1981 the number was in excess of 8,200 vessels, with a total gross tonnage of almost 35 million. (For comparison, West Germany at that date had 1,438 ships totalling 7,212,000 tonnes gross and the EEC as a whole had 6,000 ships totalling 112 million tonnes gross.)

By 1985 a further 150 vessels, mainly tankers, roll-on/roll-off carriers, lighters, and bulk carriers (for ore, coal and grain) are expected to be commissioned by the Russians. These figures do not include the other Comecon countries' fleets, which in 1980 amounted to about 3,800 vessels in all.

The major part of the bulk-carrying capacity planned by the Soviet Union will probably be used for the country's

growing exports of bauxite and coal, and possibly also for continued grain imports.

The planned expansion of their tanker fleet seems to indicate that the Russians intend to play a greater part than hitherto in the world's oil trade. The building of natural gas tankers, scheduled to become operational from 1985 onwards, shows an intention to participate in this trade as well.

The roll-on/roll-off ships are being equipped with ramps capable of carrying military as well as civilian vehicles. Lighters are being used where large port installations are lacking — that is, in the developing countries.

It is expected that by 1985 roll-on/roll-off capacity will account for 5 per cent of total tonnage, lighters 2 per cent and container ships 8 per cent.

The Russians are now operating on about 70 important liner routes as outsiders in competition with existing shipping conferences. (Their entry into the India-Pakistan Conference in 1979 is the only exception so far.) By concentrating on the higher end of the freight market, they are effectively creaming off the best business, despite the dumping character of their operations. The loss of the more remunerative tariff group is forcing Western shipowners to adjust their other tariff groups accordingly or to reduce the frequency and/or quality of their services.

Herr Hans-Jakob Kruse, Hapag-Lloyd's chief executive, puts it this way: "By selective

undercutting of rates they cause the market to collapse on important Western overseas routes, thus impairing the profitability of the national merchant fleets". Once the Soviets have cut themselves a piece of the cargo cake, they try to hang on to it at all costs — if necessary by joining a conference, which then helps them to safeguard the share they have won.

To counter this development, the EEC transport ministers decided, as early as June 1978, to introduce a system of compulsory "notification". From January 1979 until the end of 1982 the relevant ports are required to submit returns stating what shipping lines have carried what quantities on what terms. The notification requirement is at present in operation for sea routes to East Africa, Central America and (since July 1) the Far East.

If negotiations with the Russians are unsuccessful, the West German Government will consider "the possibility of introducing a compulsory licensing system for freight traffic" (in the words of Herr Christian Wolker, leader of the German negotiating team at the shipping talks). Herr Hans-Jakob Kruse, of Hapag-Lloyd, is clear on this point: "If the Russians do not observe our rules when they operate in our markets, the state will have to intervene to protect German firms. That would be a necessary act of self-defence, if we are

not to have the right to trade in our own territory taken away from us."

There is a clear agreement about the aims behind the Soviet merchant fleet expansion. The Soviet Union expects the developing countries' role as raw material suppliers to grow. These materials have to be transported across the sea. Cross trade will earn vital foreign currency for the Russians.

The Soviet Union now has a presence almost all over the world and in nearly every port. The spokesman for the management board of the German shipping company, Hapag-Lloyd, says: "The Russians clearly see no contradiction in paying lip service to détente while at the same time stepping up their fleet-building with a view to dominating the world's oceans. After a short period — barely a hundred years — of relative freedom of the seas, we find ourselves threatened by a new wave of Cromwellian navigation acts and by piracy."

Only German and other EEC shipowners are interested at present in the United Nations 40-40-20 division of cargoes (German shipping line — partner country — third country). Such an arrangement would relieve but not radically improve the situation. So all hopes rest on the German-Soviet talks.

Pete Stevens

Lord Carrington talks to David Spanier on his plans

## Britain is not really a 'bad partner'

Apart from Lord Carrington's recent mission to Moscow on Afghanistan, what are his plans and priorities as he begins his term as President of the European Community Council of Ministers?

As the Community faces, in internal policy, major difficulties over the budget, and in external affairs, a deepening crisis in the Middle East, a heavy responsibility falls on the presidency. In this unusually frank account of his thinking, the Foreign Secretary begins by commenting on the new Anglo-German entente, which some press comment has claimed is replacing the Franco-German alliance as the axis of the EEC.

"Mrs Thatcher's meeting with Chancellor Schmidt at the Anglo-German summit was indeed very cordial. As the two net contributors to the Community budget, Britain and France will always take opposing views on this subject and we were able to identify a number of areas in which our interests coincided."

"But that is not a purely Anglo-German matter. The Community as a whole has pledged itself to finding a durable solution to 'unsustainable' situations, and it is very important for the whole Community that a fair and lasting solution to this problem be found."

In particular, Lord Carrington does not believe that French interests stand apart from the British and German concern to control Community expenditure.

public expenditure at the present time. Moreover the Community is fast approaching the 1 per cent VAT ceiling on the Community's own resources. What is essential, he says, is to control agricultural surpluses and to restrain the share which agricultural spending takes of the Community's resources.

"The CAP must be made more market-oriented. Most member states, including France, would accept that the CAP cannot continue to finance unlimited quantities of products regardless of the cost. Moreover, in many respects, French agriculture is highly efficient and need not suffer if the CAP becomes more exposed to market forces."

The idea that on this central issue of reforming the CAP, which lies at the heart of Community expenditure problems, Britain and France will always take opposing views is not necessarily correct, Lord Carrington argues.

"Mr Cresson, the new French Minister of Agriculture, recently suggested that there was a need to bring CAP prices down to world levels. But any changes in the CAP will need to result from the reconciliation of the agricultural interests of all 10 member states, not just the UK and France."

The counter argument that the Community needs to do more and spend more, and that the 1 per cent VAT ceiling ought to be raised, offers no attraction whatever.



"The 1 per cent limit exists because that is what the original Six decided in 1970. To increase it requires the unanimous agreement of all member states and their parliaments. It would not be right to consider raising it in the present difficult economic climate, when national public expenditure is under such pressure, nor would it be practical politics to do so. Raising it would simply permit even more money to be spent on agriculture and would not help to resolve the budget problem. Its existence is a stimulus to agreement."

After the European Council's preliminary discussion, he hopes that examination of the Commission's report will begin in earnest so that thorough preparations can be made for decisions at the European Council in November. It is natural that the new French Government needs time to consider its position, but he does not think this will affect the timetable overall.

If there is one thing, at the end of your term, that you would like to have achieved, what is it?

It is important to avoid exaggerated expectations from a presidency which (with holidays) effectively lasts only four and a half months. I suppose that the main priority of any presidency must be to promote the interests of the Community as a whole by the efficient conduct of its business, and the constructive use of its international influence. It would be quite wrong to see it as an opportunity to advance any narrow national interest.

Rather than a single spectacular success in any one field, I would look for progress on a range of questions — the May 30 mandate, fisheries, enlargement, and the development of peaceful cooperation. I should like to be able to edge the parties closer to a settlement in the Middle East. I see it as a chance to reaffirm to our partners our commitment to the Community, and to demonstrate — to our own public as well as abroad — that all partners gain strength from the formulation of constructive European policies, and that we have something to contribute to this.

Will there be another grand crisis at the end of the year then? "I have no crystal ball."

Lord Carrington says: "Of course the discussions among member states will be difficult, but the Community has pledged itself to completing restructuring by the end of the year. As the presidency, we shall certainly be aiming for decisions on the essentials by then. If, in the event it does not prove possible to reach agreement, the United Kingdom position for 1982 is safeguarded by the terms of the May 30 Agreement."

Turning to external affairs, Lord Carrington is very disturbed by the deterioration in the Middle East. Does he see any practical chance for the Europeans to make a useful contribution?

"Tension in the Lebanon and Israel's attack on Iraq's nuclear installations are bound to make an already very difficult task even more intractable. The future is in any case obscure because we had to wait for

Israel's election, and there are uncertainties over future United States policy."

"But I do not give up easily. We cannot sit back and let the situation deteriorate. As we see any opportunity for progress, however limited, we shall seize it with both hands. At the same time we are fully aware of the limitations of what we can achieve on our own and the need to avoid grandiose, but futile or even unhelpful gestures."

What about Israel's objections to the Venice Declaration, which totally alienated Israeli opinion? Lord Carrington is fully aware that it takes two to negotiate.

"I cannot stress too often that we are only interested in a negotiated settlement, not in trying to impose our views. I may say that I do not believe that Israel's reaction is justified by the reality of our position. We believe the policy outlined at Venice is fully compatible with Israel's concerns and in

Israel's long-term interests.

"We shall simply have to continue to work with Israel to convince her that our motives are genuine. If there is to be a settlement, both sides will have to change and accept the rights of the other."

Can he, on the other side, persuade the Palestinians to budge? "If serious negotiations are to be possible, the Palestinians including the PLO will have to show willingness to negotiate peacefully and to accept Israel and live in peace with her."

"This is a message we are constantly trying to get across to them. A move in this direction could help to break the impasse and would be very much in the Palestinians' own interests. But we have no magic wand here either. Persuasion is in the end our only weapon."

Finally, Lord Carrington sought to answer the charge that Britain has not got the reputation of being a very good European partner.

"I am not convinced that we are really seen as a bad partner, though it may sometimes suit others to suggest this. All member states fight hard for their vital interests, but all need sensible and balanced compromises, if the Community is to survive and develop. We are no exception."

"Of course, we have had to fight hard on the United Kingdom budget contribution, but much has been achieved already, and we hope we will achieve a final and lasting solution quickly. With equitable budgetary arrangements the Community can concentrate on its future development and decide its policies on their merits rather than in terms of the financial gains and losses they bring to individual states."



## Facts and figures

US economic policy is no excuse  
for European failings

Representatives of the seven big industrialized countries will meet again, in Ottawa, on July 20 and 21. Will they find the formula to bring about a recovery that will be both healthy and above all, more evenly shared, and to make a start on the relaxation of monetary tension? The United States stands accused of exacerbating the situation through what has been called its "selfish" policy on the dollar and its "devastating policy of aberrant interest rates".

The newly installed French Government, brimming with ideals, has lost no time in stating its position, and has done so in political terms. Jacques Delors, Minister for Economic Affairs and Finance, speaking at a European meeting, has pointed out that "the United States cannot expect us to be strong and reliable allies in the foreign policy and defence spheres if it continues to pursue its economic policy without regard to the damage caused".

The French economy is certainly experiencing particularly severe effects from this "storm from the West" at the present time. Never have interest rates risen so high so quickly, with a leap from 12.75 per cent to 20 per cent on the money market in a matter of days, despite exceptional tightening-up of exchange controls. This will not only prevent the recovery needed to pay for the newly introduced social benefits, but could hamstring business activity and force the Government to take emergency action.

However, to lay all the blame on the dollar and US interest rates would seem as simplistic as M. Raymond Barre's claim that the second wave of oil price increases caused the failure of his efforts to combat inflation. Experience would suggest that factors specific to France, both psychological and economic, account for half of the steep rise in money market rates, so that a fall in American rates, although helpful, will not be enough in itself to dispel the problems.

West Germany has also been stung by its grievances. Chancellor Helmut Schmidt has warned that "the very high level of interest rates in the United States will at best delay the economic recovery, and at worst cause a world depression". However, Herr Poehl, governor of the Bundesbank, has made it clear that West Germany's large budget

	quality of growth				maintenance of growth		
	prices	unemployment	productive capacity	foreign trade	vulnerability to external factors		
GERMANY	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
FRANCE	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
ITALY	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
BRITAIN	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●

## United States: the start of a decline?

**Growth rate:** After the sharp improvement in the first quarter, the most recent figures seem to indicate a levelling-off or even a slight decline. Retail sales fell by 2.1 per cent in April and rose by only 0.2 per cent in May. Industrial output registered only small rises in April (0.1 per cent) and May (0.3 per cent).

**Prices:** Inflation is at last beginning to ease. On the basis of March, April and May, the annual rate of increase in wholesale prices was down to

10.5 per cent compared with the figure of 12.2 per cent based on the previous three months. Retail prices are now well below 10 per cent, at 7 per cent.

**Unemployment:** Having been stable at 7.3 per cent for several months, the unemployment rate, expressed as a proportion of the working population, slipped to 7.6 per cent in May, the absolute number having jumped by 425,000 in a single month.

**Foreign trade:** April brought a sharp change in the United

States trade figures. The deficit had been falling steadily since January and was down to \$500m in March, but it shot up to \$3,460m in April.

**Monetary and financial influences:** The recent trend in American interest rates is disconcerting. The prime rate, having reached a peak of 20.5 per cent and even 21 per cent with some banks, had seemed to be on the way down when it was cut to 19.5 per cent, but renewed pressure has sent it back up to 20 per cent.

## Japan: industrial output rising

**Growth rate:** On the basis of February, March and April, the annual growth in industrial output is once again above 5 per cent and rising slightly faster than a year ago.

**Prices:** Retail prices are rising at an annual rate of 6.2 per cent calculated on the basis of February, March and April, and by 5.2 per cent according to the figures for the past 12 months. However, the fall in the yen's exchange value brought a further acceleration in the rate of increase in wholesale prices during May.

**Unemployment:** The unemployment rate calculated as a proportion of the working population rose from 2.17 per cent in March to 2.32 per cent in April. (It should be remembered that the method of calculation used produces an underestimate compared with European methods.)

**Foreign trade:** Cover of imports by exports (calculated at 1979 prices and seasonally adjusted) remains comfortably above break-even point, with 106 per cent recorded in May, following 102 per cent in March and 106 per cent in April.

What is happening in practice? The strength of the dollar is indeed helping to curb prices in the United States, while pushing up the cost of imports in Europe. The most striking example is provided by oil, world prices for which, in dollars, have fallen by over 10 per cent. If consumer prices, especially of petrol, have come down in the United States, the same has not happened in Europe.

## PRICES

consumer price index

AVERAGE

1980

1981

1982

1983

1984

1985

1986

1987

1988

1989

1990

1991

1992

1993

1994

1995

1996

1997

1998

1999

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

## FOREIGN TRADE

cover of imports by exports

1980

1981

1982

1983

1984

1985

1986

1987

1988

1989

1990

1991

1992

1993

1994

1995

1996

1997

1998

1999

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

## INDUSTRIAL GROWTH

basis: seasonally adjusted index of industrial production excluding the building industry

1980

1981

1982

1983

1984

1985

1986

1987

1988

1989

1990

1991

1992

1993

1994

1995

1996

1997

1998

1999

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

## UNEMPLOYMENT

estimated unemployment rate as a percentage of the working population (not comparable)

1980

1981

1982

1983

1984

1985

1986

1987

1988

1989

1990

1991

1992

1993

1994

1995

1996

1997

1998

1999

2000

2001

2002

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2012

2013

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2015

2016

2017

2018

2019

2020

Olivier Lorsignol writes on the Community and other common markets

Pooling interests leads way  
to regional accord

The European Community has recently been discreetly pursuing a new line in external relations, in two ways: first, it has been seeking partners among groups of countries which, like itself, are involved in regional integration; and second, it has interwoven economic objectives with wider political aims.

This sympathy with regions of the world trying to organize themselves on a basis falling somewhere between nationalism and internationalism has long been in evidence within Europe itself, in relations with the states of the Nordic Council (Iceland, Finland and the Scandinavian countries), and with the East European members of the Council for Mutual Economic Assistance (Comecon). But this does not apply to the European Free Trade Association, which in any case will be dissolved when Spain and Portugal join the Community.

Most recently it has been the Association of South-East Asian Nations (Asean) consisting of Indonesia, Malaysia, the Philippines, Singapore and Thailand which, in its efforts to switch from a defensive role to active cooperation, has attracted the Community. In South America, Venezuela, Ecuador, Colombia and Peru make up another group which, as the Andean Pact, has special relations with Brussels; and the Community has also been sending signals to another potential group, the Central American Common Market.

In Africa, the efforts made by Kenya, Tanzania, Uganda and Zambia to cooperate in order to "open up" their economies have been supported. Finally, the idea of closer association among a number of Gulf states, Saudi Arabia, the United Arab Emirates, Bahrain, Kuwait and Qatar — has also attracted favourable notice from Europe.

Dialogue is constantly interrupted by political disputes or local crises. Asean, for instance, naturally places the situation in Indo-China at the top of its priorities. The Andean Pact was seriously weakened when Bolivia withdrew following its most recent coup d'état, leaving the group of parliamentary states in the north of South America, which aims to be distinguished apart from the dictatorial regimes in that continent, with only four members.

Uganda, in the aftermath of the Amin regime, is not finding it easy to resume relations with its neighbours. Iraq and Saudi Arabia are not party to the initiative in the Gulf, and matters are made no easier by the Iraq-Iran war.

Central America is in turmoil, with crises in Nicaragua and El Salvador; Poland's economic



Closer association in The Gulf cannot thrive while the Iraq-Iran war continues: Iranian guerrillas in action

difficulties have created a tense situation within Comecon. No regional community of states ever manages to take two steps forward without taking one step back. It is the determination to persevere and start again after setbacks, relying on economic co-operation and allowing political affairs to sort themselves out, that has attracted the European Community to the groupings which have been mentioned.

The Community, with a mixture of boldness and

naivety, has played two cards: economic negotiation, leading to agreements or establishing standing committees; and parliamentary exchanges, where possible. Relations with Eastern Europe have reached an impasse, for two reasons. First, although letters were exchanged with Comecon early this year, that organization is still not prepared to give full recognition to the European Community. Secondly, the East European

countries are extremely worried by Poland's difficulties, especially low deliveries of Polish coal. Conditions are made no easier for them by the prices they have to pay the Soviet Union for its oil and gas. Meanwhile, dealings with Brussels are mainly bilateral relations, an outstanding example being the substantial agreements signed with Romania last year.

In view of all the difficulties, are these regional efforts really justified? Is the European

Community not wasting its energies in trying to cooperate with them? The justification for carrying on is the conviction that the creation of new economic groupings is the best means of achieving regional stability. If the European Community has proved anything, it is that pooling interests opens the way to political convergence.

For most countries — Japan is one exception — it is impossible to break into the world market alone. Co-

operation (often combined with protectionism) with a number of politically acceptable neighbouring states gives access to the markets and ultimately to an international political forum. Too many criticisms have been levelled at the European Community for being "materialistic" during its early stages — without any acknowledgement that there was no other way that it could have begun. It should come as no surprise that other regions of the world are behaving similarly.

## Correction

In an article entitled Bloodletting at the Barlaymont in our issue of June 2 it was stated that in most cases senior civil servants at the European commission were seconded only temporarily from the employ of national governments. We have been asked to point out that 12 of the 16 directors-general who are

nationals of the six original member countries have more than 20 years service with the Commission. Further, out of a total of 121 A1 and A2 officials (directors-general, deputy-directors-general and directors) from these six countries 86 have over 20 years service and only 13 less than ten.



International and cross-frontier traffic increase

# Politics and economics hinder trade between 'the two Europes'

Anyone looking at the map of Europe — not the political map, divided into countries and blocks of countries, but the physical map — cannot fail to see that Trieste and its harbour are naturally placed to be the keystone for all the traffic between the countries of the West and those of the East, and for the traffic of both groups of countries with the Middle East. In reality, however, the position is very different.

In 1938 the countries of Eastern Europe, that is Bulgaria, Czechoslovakia, Yugoslavia, Poland, Romania, Hungary, the Soviet Union and that part of Germany which today constitutes the German Democratic Republic, contributed more than 10 per cent of the total traffic of the Port of Trieste. In 1970 the figure had fallen to 5 per cent and the most recent figures for 1979-80, show a further fall, to little over 3 per cent.

We have reached the point where, although goods traffic in the Port of Trieste has risen from less than 3,500,000 tons in 1938 to more than nine million in 1980, the weight of goods coming from or going to Eastern Europe has fallen from 350,000 tons to about 300,000 tons. There was an increase in the first three months of this year, with about 120,000 tons compared to 95,000 for the same period last year, but it is too small to think that an inversion of the trend is yet on the way, or that the political and economic difficulties which hinder trade between the "two Europes" via Trieste are on the way to being solved.

The political difficulties come from one side only, the East. They spring not so much from prejudice against the Western political system as from a natural tendency on the part of state industries and economic organizations to use ports within the Comecon "block" — or ports of sympathetic countries such as Yugoslavia, if only for foreign currency reasons. However, this year at last there are signs of greater openness.

A liaison committee has been set up between the ports of the Upper Adriatic — Venice, Trieste, Fiume and Capo d'Istria — and it recently met in Venice to programme common promotional action, the first concrete manifestation of which should appear next autumn in Munich, Bavaria.

Of much greater importance are the economic difficulties, which handicap Trieste considerably. Whereas another big



Trieste is the keystone for harbour traffic between East and West

Italian port, Genoa, faces the competition of Marseilles which, highly efficient though it is, has operating costs at Western European levels. Trieste is in competition with Cap d'Istria and Fiume, whose costs are at most 70 per cent and in some cases as little as 30 per cent of Trieste's.

Moreover, in Italy there is the hostility of the trade unions to be reckoned with, with its repercussions on internal costs and on the time ships are kept in port. On the Yugoslavian side this does not exist.

Against this Trieste has advantages which mean that costs alone are not the decisive factor. Its advanced traffic handling equipment is without comparison anywhere else in the Upper Adriatic.

Most notably there is the Molo VII — an immense quay that enables more than 200,000 containers a year to be trans-

shipped, with operating wharves extending more than a mile in up to 65 feet of water, and a special pier, which can load a 40ft container and offload another in three minutes.

Molo VII also has three ramps for mooring roll-on, roll-off units, ferry boats on to which semi-trailers loaded with cargo are driven by tractor.

This quay, already the largest in Italy, is being duplicated, with a budget appropriation of 40,000m lire, and another European coal terminal under construction, barely 50km from Trieste, will cost 150,000m lire and be able to handle 20 million tons of coal a year.

Of the goods loaded or unloaded at Trieste 90 per cent are "in transit" under the extra-territorial facilities that have been Trieste's for centuries. Under this system Trieste makes available for its customers a large commercial free port. This comprises the

old entrepot, whose origin goes back to a decree of the Emperor Charles VI of Austria in 1719, and the new entrepot, which was started at the end of the last century, as well as coffee and timber warehouses that are among the largest in Europe.

This international character of Trieste, and its position at the heart of Europe, cannot yet be properly exploited because Trieste's great handicap is its overland connections. The road and railway systems are not adequate to the needs of Continental traffic, which involves also the great industrial Port of Trieste, with its iron and steel factories, chemical and engineering industries, food factories and shipyards for shipbuilding and repairs, and its industrial enterprises.

The oil port, which with the terminal of Trans-Alpine oil pipeline that connects the Upper Adriatic with the re-

fineries at Ingolstadt (Munich) and Schwabach (Vienna), has a great traffic potential is another European feature of Trieste.

But the railway lines to Salzburg and Munich, Graz, Vienna and Budapest, Linz, Prague and the Brenner are inadequate, and the motorway links with Tarvisio and the Yugoslavian network are slow in being completed. For years the Friuli-Venezia Giulia regional authorities have been pressing for these links, and for a third branch to Bavaria through the Monte Croce Carnico tunnel.

There are also difficulties from the Austrian side (which, it seems, are on the way to being overcome) bound up with ecological and local considerations, and the vital interests of the plan for linking Passau, Linz-Graz with Sendling, on the Austro-Yugoslav border.

Much has been done, and in the next two years the results should become apparent. Also there is a somewhat optimistic project, which may become more realistic if the cost of oil continues to rise, for making a study of the link between Trieste, through the Sava river and the large Rhine-Main-Danube river system, the enormous importance of which needs no emphasis.

At the beginning of a new decade Trieste is looking on 1981 as "the year, no doubt". It intends to make a fresh start to capture the true position of Trieste as the centre of traffic between the "two Europes" and between Europe and the Middle East.

Trieste and its harbour has everything in its favour to meet this challenge: it must now play its cards correctly.

Mario Salvatorelli

Passes dictate the way

# New Alps routes needed

Cross-frontier traffic in Europe has increased far more in recent years than internal traffic in EEC member countries. This is a reflection of Europe's growing prosperity and the closer interdependence of its various national economies.

The volume of goods traffic across Germany's frontiers, for example, rose from 213,500,000 tonnes in 1960 to more than 425 million in 1970 and 444,600,000 in 1979. The increase from 1960 to 1979 was 155 per cent. Internal traffic, on the other hand, rose by only 31 per cent.

In most cases, international traffic is routed over a wide range of communication lines. In the Alps, however, it is concentrated on a small number of possible routes, dictated by the location of the passes across the central Alpine ridge. In recent decades several new road communication routes have been completed through the Alps, but rail traffic runs on lines still dating from the last century.

Because of this, on the Brenner route in particular, the additional traffic has all been switched to the roads. This is neither energy-saving nor sensible in terms of international policy. But new rail communication through the Alps also have priority because any plans for new road communications now meet with such opposition that they scarcely seem feasible.

A further argument in favour of new rail track is that existing track altitudes are too high. Trains have to fight a losing battle against considerable heights, which is unnecessarily wasteful of energy.

For many years, much thought has been given to new railways through the Alps. This has crystallized into three projects: a tunnel under the St Gotthard, a tunnel under the Splügen between Chur and Chiavenna, and a tunnel under the Brenner, for which a number of different routes have been proposed.

The one that is preferable from the German point of view, is, in my opinion, the St Gotthard tunnel. It would be on the main trade axis between the countries of central Europe, running from the Rhineland through Basel and Zurich to the great Italian industrial complex round Milan and Turin.

Complete modernization of the Munich-Vienna rail line involving tunnelling through the Brenner, cannot be deferred any longer. The Brenner is the most important transit route for north-south traffic through the central Alps, with by far the biggest annual volume — 11,600,000 cars and 13,600,000

tonnes of goods traffic, 10 million of it by road.

Another communications project for the Alpine region that is urgently needed is the Inn-Pyhrn motorway link in Austria, extended into Yugoslavia. The so-called gutterwater route is notorious. The road through Styria to Maribor and Zagreb, often narrow and passing through numerous built-up areas, ceased to meet requirements some little time ago.

A steadily increasing stream of traffic struggles painfully along this route on its way to south-east Europe and the Middle East, among the cars of people on holiday. Greece's accession to the EEC will create yet more transport traffic.

Clearly, projects for a radical improvement of Europe's communications network can no longer be put into effect solely by the countries in which construction is to be carried out. Austria, for example, is responsible for only a small part of the Alpine traffic along the routes concerned.

Countries that are suffering from the harmful effects of communications bottlenecks on their transport and trade surely have a right interest in finding an international solution. Discussions have been going on in the EEC since 1976 on how to find an answer to the problem.

The West German Government, with the approval of the state governments, has suggested that the need is not for further complex EEC mechanisms but for a system whereby the countries mainly involved contribute to the cost in proportion to their share of transit traffic. Agreement will not be easy.

But the idea should not be cast aside. Now that the German railways are having to refuse to accept goods in transit to Italy, an investment in a Brenner tunnel would also be an investment for the railways. It is not a Utopian suggestion, as is shown by the example of Bavaria, which, because of the great importance of its trade with Italy, guaranteed a loan some years ago for the construction of the Italian motorway over the Brenner pass.

The problem involved in the creation of new communication routes through the Alps must be considered as a pan-European problem. Then it can be solved.

Anton Jaumann  
Bavarian minister of economic affairs

# Bonn's empty coffers bring canal dream to a halt

A waterways system running from the North Sea to the Black Sea, a canal which, passing through the Franconian Jura range, would link up Europe's historic rivers, the Rhine and the Danube, has been one of the great European dreams for a thousand years and more.

Charlemagne attempted to turn the dream into reality when, in 793 AD, he equipped his engineer troops with picks and shovels and sent them to the divide between the Danube and the Rhine. But this early project, the Carolingian Dyke, foundered because of heavy rains; the dams burst, and now only an inscription tablet at Treuchtingen remains to remind us of this abortive attempt.

More than a thousand years went by before anyone ventured to take up this bold project again. Between 1836 and 1845 Ludwig I of Bavaria linked up the Main and the Danube by a canal with a hundred locks. Technically, the project was a

success: barges with 120 tonne loads could go swaying along the narrow channel. But financially it was a disaster.

A new competitor, the railway, provided a faster and cheaper service. The locks rotted away, and soon the apple orchards on ground leased to farmers along the banks, and the revenue from fishing rights, brought in more thalers to the state coffers than the slow towpaths along the banks used for hauling the barges serve only as a romantic place for walkers.

The revival of the project in the present century goes back to 1921, when the Rhein-Main-Donau (RMD) was founded for the purpose of constructing a waterway for large shipping. The Federal Republic remains the majority shareholder, with a 64 per cent interest, while the State of Bavaria holds 33 per cent. The company's objective has almost been reached.

Of the 677km, between

Aschaffenburg and the German-Austrian frontier formed by the Danube figuring in the work of enlargement, canalization or new construction, barely 50km of canal remain to be completed. Six of the new sluices through which shipping on the canal will be raised to a differential level of 406 metres have also been finished.

But the moment when the first of the Euroships, 80 metres in length and with a cargo capacity of more than 1,500 tonnes, will sail across the divide has receded into the far distance. Bonn's empty coffers have brought its contributions to a stop. Unless the economy picks up again much sooner than is expected, the canal will not be open for traffic until some time in the next century.

This will suit the conservationists: though they would rather have the project put off till Domesday, as they are afraid that large areas of the Danube water meadows will be lost for ever under the concrete

bed of the canal, and the enchanting landscape of the Altmühl valley totally ruined.

"I don't dispute that the building of the waterway will inevitably have a serious effect on the landscape in some places", Herr Alfons Goppel, the former premier of Bavaria and now chairman of the supervisory board of the canal company, admits but he goes on to say that a twentieth part of the construction cost is to be spent on landscaping. "I am convinced", he says, "that the redesigned landscape round the Altmühl and the Danube will soon come to be appreciated as a nature reserve and recreational area".

The financial considerations are more serious. Even before the first sod had been turned along the stretch of the canal between Nuremberg and Kelheim (near Regensburg), for which the Bavarians then amounted to DM 4,000, the Bavarian state audit office warned against the venture, on

the grounds that "no economic necessity" for extending the waterway beyond Nuremberg can be established.

It could be once more the railway that does for the canal. Even on the unlikely assumption of 24-hour operation, the most freight that could be carried by water way across the turn for would be 18 million tonnes a year, whereas even the existing two-way rail track can handle, apart from passenger traffic, an annual goods tonnage of 60 million tonnes. And for the stretch between Nuremberg and Regensburg there is still an unutilized annual capacity, without any reconstruction work, of between 10 and 20 million tonnes.

The time element is also against the canal. An inland navigation vessel will take 103 hours to cover the stretch between Main and Passau, whereas a goods train can cover the same distance in 10 hours. Even analysis of the energy-

saving aspect comes out in favour of the train.

The ratio of energy units consumed per tonne-kilometre by water and rail is 1:1.2, slightly in favour of the water route, that is. But this is an over-simplified calculation; if the actual distances to be covered are taken into account, for the Frankfurt-Regensburg stretch they amount to only 339 kilometres by rail but to 549 by water.

Contrary to what the contractors say, the financing of the canal is for this reason on a different basis from the normal financing method employed for public transport systems, for the income from 49 hydro power stations, which have been assigned to the Rhein-Main-Donau company until the year 2050, is to be spent on the construction work.

In contrast with the stalling tactics of the Federal Government in Bonn, Bavaria is all for getting on with the job quickly. The Free

Democrats in the Bavarian parliament have petitioned for a halt to construction, but the state Government under Herr Goppel is pressing for completion as soon as possible.

Herr Anton Jaumann, the Minister for Economic Affairs, hopes that a waterways system between the Danube and the Rhine, and Western Europe's industrial heartland along the Rhine would be of lasting value for the economy of Bavaria, because of the existence of the Iron Curtain on its northern and south-eastern borders, Bavaria finds itself in a peripheral economic position that inhibits further expansion of the state.

The inland navigation companies in the West feel that by far the greatest danger presented by the canal lies in the risk that shipping companies in the East, with the Soviet Union at the head, will begin to operate their recently laid down Europe class shipping on the

RMD canal and by introducing dumping prices play havoc with the earnings of navigation companies using the international waterway of the Rhine.

In that case, say those who are dubious about the project, the inland navigation companies in the West would have the option of either doing battle against their competitors with the help of high government subsidies or of abandoning the Rhine to the Communist inland shipping fleet.

The Blue Danube is already a warning indicator in this connection. For a long time now it has been virtually a "red river" dominated by shipping from the East: the "Bavarian Lloyds" still flies the federal German flag on it, but the sailings it makes are for national prestige, and are subsidized to the tune of millions of marks out of the Exchequer. With this example to go by, no one can yet tell what future lies in the waters of the canal.

Peter Schmalz

# Fierce opposition to ambitious gas pipeline project

The ambitious project for a 5,000 km gas pipeline running from the western part of Siberia to the Bavarian frontier is rapidly becoming a contentious issue between Western Europe and the new American Administration: the latter leaves no doubt about its dislike of this deal.

After his March meeting with General Alexander Haig, United States Secretary of State, Count Otto von Lambsdorff, the German Minister for Economic Affairs, was forced to concede: "I do not think that my arguments convinced him". The Minister had tried in vain to persuade the General that East-West trade was not politically harmful.

The Americans base their reservations on the findings of the Washington Institute of Strategic Studies that such a deal is primarily of advantage to the Russians. Not only do they acquire western technology, it is claimed, but they do so on the basis of credit, which then releases funds for arms.

The Americans also find support for their attitude — different in kind though still decisive — among member countries of the European gas combine, which includes West Germany, Belgium, France, Italy, Holland and Austria. France's reservations about the deal with the Soviet Union are due to the preference shown for Algerian gas, which the French Government can still buy more cheaply than Soviet gas, although the French have already had some sharp altercations with their Algerian partners over their low prices.

Chancellor Helmut Schmidt is reluctant finally to agree to the deal, and is endeavouring to secure a reduction in volume in order to lessen West German dependence on energy supplies from the East. In this respect he sees his attitude as being not far removed from that of his chief political opponent, the Bavarian premier Franz Josef Strauss, who has commented, wryly: "We supply the pipes, the Russians the stopcock".

The project, the contract for which should already have been signed last autumn, would make possible an engineering project worth billions of dollars, opening new dimensions for the European gas pipeline network.

The area of deposits is on the Yamal peninsula in Siberia, beyond the Arctic Circle, with winter temperatures down to 60°C below zero. There are 500 metres of permafrost, while in summer the surface turns into an impassable swamp. Construction work is possible on only about 80 days in the year.

Under the scheme 40,000 million cubic metres of gas will be pumped annually through Europe for the exclusive use of the West. The Russians have given their assurance that no branch-line installations will be constructed in the Eastern block territory, through which the pipe will pass.

German industry is expecting a boost to orders from the construction of the pipe worth DM10,000m, which would help to check the present slowing of the economy through the economic recession. But the

banks are still against the idea; they are required to advance this sum in the form of credits against future gas deliveries, and Moscow is holding out for an interest rate of below 8 per cent, and will in no circumstances go higher than 10 per cent.

Herr Hans Friedrichs, a former Minister for Economic Affairs, in his present capacity as managing board spokesman of the Dresdner Bank, has given a warning that the German banks can "now afford less than ever to make accommodation loans".

The European gas combine already has three pipelines fed with Soviet gas from Siberia and the Urals, which run along the Soviet-Czechoslovak frontier and cross the communist border in the Bavarian frontier town of Waldhaus.

If the gas pipeline deal should come off, West Germany would become the largest gas-importing country in the world, and with annual imports of 24 cubic metres of gas from Russia would cover a third of its requirements in gas with supplies from the East.

In an attempt to allay fears about increased dependency on the gas pipeline, the deal says that only about 6 per cent of all West German consumption in primary products is accounted for by supplies from the Soviet Union. Besides which, they add, the Russians are reliable business partners and even if there were to be a half-in supplies this would not have any dramatic effect on West German supplies of gas as a whole. There is said to be a secret understanding that in such an event, gas deliveries from

Holland would be increased — though no formal contract exists.

There is indeed a spider's web of gas pipelines in Europe supplying energy across the frontiers, connected up directly or through a fleet of liquid gas tankers to 70 per cent of the known world gas resources. For example, North Sea gas started to flow four years ago from the Norwegian Ekofisk field through a 440 km undersea pipeline to Emden, from where half the gas is distributed over the West German network and the other half goes to Belgium, France and Holland.

Under the Stat Fjord project being planned, a 1,000 km long pipeline under the North Sea will carry gas from the Norwegian field north of Bergen to Emden.

The next major project for bringing Algerian gas by pipeline to the European continent, is being planned by Italy. Starting in Tunisia, the pipeline will cross the Mediterranean by way of the Straits of Messina, at depths of between 500 and 600 metres, and gas will be pumped through three pipes each of 508 millimetres in diameter.

This project is suffering, however, from the tactics employed by the Algerians in the negotiations; they have approved the pipeline, but have not yet settled a firm price for the gas.

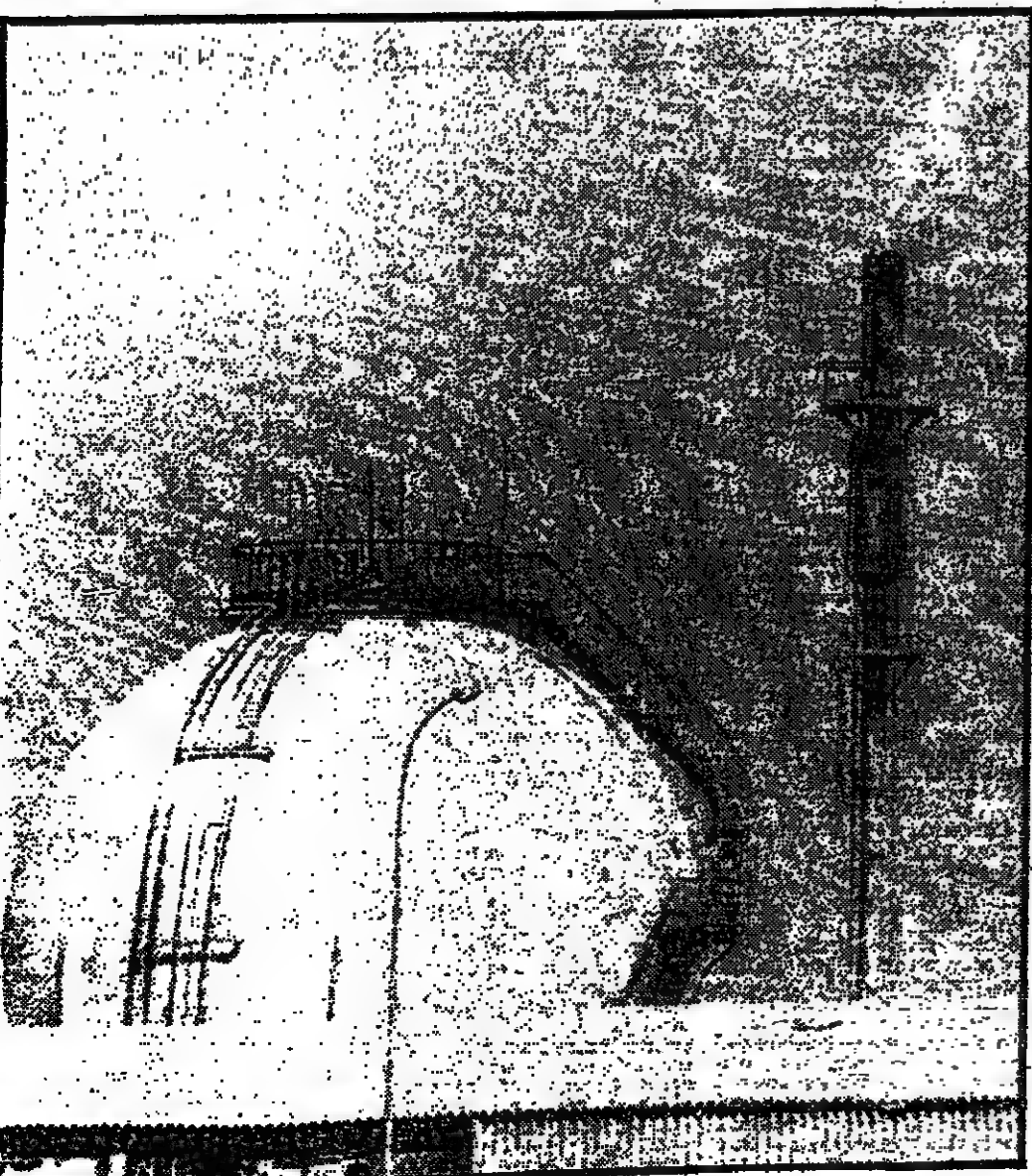
Meanwhile a total of 40,000 million cubic metres of gas is carried annually across the world's oceans in liquid form, the longest distance that is covered being the 12,000 kilometres between Abu Dhabi and Japan. The tankers bringing gas to Western Europe — mostly

from Libya and Algeria — cover distances from 600 to 2,900km.

But transport by sea has a considerable disadvantage compared with pumping through a pipeline; whereas with pumping the maximum loss to be reckoned with is one of 10 per cent, nearly a third of world reserves will have been exhausted. In Nigeria alone more gas is wasted in flaring operations every year than the annual volume West Germany would procure from the Soviet Union in the controversial deal.

Its proponents are also banking on pressure being put on the United States Administration by American industry; the American Caterpillar corporation has put in tenders for the gas pipeline deal worth more than \$1,000m.

P.S.



Gas flame and storage terminals at Abu Dhabi.



## 'A divided Germany, a divided city'

The 61-year-old Christian Democrat Herr Richard von Weizsäcker was recently elected, with the support of the Liberals in the Senate, Bürgermeister of Berlin, the first member of the CDU party to be appointed to this office. His own party was two votes short of an absolute majority and had to form a minority government. Party members hope that the FDP party will continue to give its backing to Herr von Weizsäcker, one of the most distinguished politicians and committed Protestants in Germany. Hans-Herbert Holzamer spoke to Herr von Weizsäcker about the status of Berlin in relation to Europe.

Herr von Weizsäcker, after all the criticism it has aroused and the numerous scandals over the years, Berlin still looks like a provincial city to the rest of Europe. Is it?

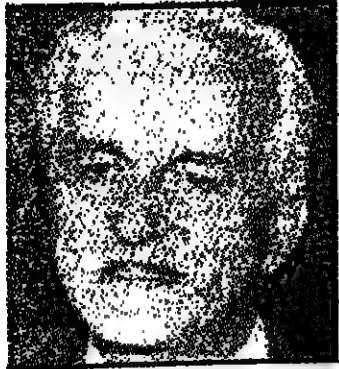
No, I don't think so. Berlin is on the very boundaries of the division that marks our political systems and our peoples. A divided Europe, a divided Germany, a divided city. The leading figures of the world political scene are not in Berlin, but there is nobody who has any influence on world politics who does not know about Berlin and its problems, its challenges and opportunities, and take them into calculation.

Is Berlin, then, still a pressure point between East and West?

I do not believe there is any intention in the East of exerting pressure on Berlin from outside. The political figures on the left from the Warsaw Pact countries more often question one just has to wait and see — where Berlin is going to find the inner strength to maintain and enhance its ability to survive.

There is no need for any pressure to be exerted from outside. The only thing is that everything we have experienced, and shall experience in the future, from the extremes of a policy of détente to East-West confrontation, has always been in connection with this division and its consequences, and the possibility of eventually doing away with it.

In this context Berlin is both a symbol and a testing ground. People in the major centres of the East and West are often more aware of the significance of Berlin than Berliners themselves realize.



Many people are saying Berlin is an unnecessary burden, both financially and politically.

It would be a sign of great shortsightedness if anyone in Bonn or the rest of the Federal Republic were to take the view that Berlin was no concern of his. How we in Berlin deal with the conditions of existence for Berliners themselves and with Berlin in the international context is something that is also decisive for the future of the Federal Republic.

Would you say that is why the Americans always follow with such attention the German attitude towards Berlin? And that German-American relations cannot be separated from the relationship between West Germany and Berlin?

There is one thing one must always remember: the Americans, with the other two protecting powers, are, of course in Berlin with the Germans, but they are also here in their own



Rioters plunder a store after smashing its windows during violence in West Berlin.

right. Their being in Berlin in itself makes the Americans a European power.

The position is different where they have a presence in another friendly country only as partners in the alliance. The Americans take their responsibilities in Berlin very seriously, and do not interfere in any way at all in our internal affairs. Naturally enough, of course, they watch very carefully for any change of feeling in Berlin and the rest of the Federal Republic in general and the Alliance in particular. Berlin, in my experience, is a highly

sensitive indicator of the state of German-American friendship at any particular time.

Will you, as present Bürgermeister, von Weizsäcker, also lay stress on this?

Certainly, if it is necessary. Berlin has no independent foreign policy of its own to pursue — that would be completely against our interests — but one can sense here more quickly than in Bonn the impact in America if the Germans or Europeans are behaving in a certain way.

After all, we live cheek by jowl with the Americans here, every day of the week. And in Berlin we can not only never forget what the Americans have done for the city, we can never lose sight of the fact that the freedom that allows us to contest democratically among ourselves, for the best way of running things simply would not be possible unless it was guaranteed by the protecting powers.

Berlin, of course, is part of the European Community. Berlin members can vote in the European Parliament, but not in the Bundestag. Does Europe offer Berlin opportunities that

are not open to it in West Germany?

I should not put it like that. Berlin is an integral part of the European Community.

This tie of Berlin's, which extends to all the treaties between the European Community and third countries, is one of the arches supporting our existence as a component part of the federal republic, though on conditions that are more closely defined in the Four-Power Treaty, and naturally has a wider context than the European Community alone.

Once it was Berkeley, then Berlin, then West Germany. That is no longer so. Do you think you will be able to bring back some intellectual excitement to the city?

At the time of the student movement and student unrest, very strongly pronounced theoretical knowledge and requirements were used as the basis of fairly concrete political goals. During the current period of unrest we are seeing different forms of manifestation from those we had in the past.

Seen from Berlin, at least, groups of young people are

involved who are on the fringes of society and do not really know whether to join in or to opt out. There is a combination of misapprehension and refusal to accept things rather than any definite change of political views.

We need to have and be able to welcome people in Berlin with whom all of us in the city can live together, who realize that some degree of consensus in Berlin is necessary and acceptable. A city surrounded by a wall cannot afford to have any fences of its own making in the free part inside the wall.

## New cable and satellite services bring better programmes

In the autumn Radio Luxembourg will be deciding on a project for a new television service to be transmitted by satellite, in which West German newspaper publishers are also concerned. The West German Government has till then to make its objections felt. The French are also expected to help, as the French Government is a shareholder in Radio Luxembourg. Whether or not the commercialization of television is a bugbear is the subject of an article written for Europa by the 74-year-old philosopher Professor Karl Holzamer. Professor Holzamer is the founder director of the ZDF, the "German Channel Two", in Mainz.

At a press conference in Singapore in the mid 1960's organized by the Asian Broadcasting Union, of which the big European broadcasting corporations are associate members, I was pressed for my views on the introduction of satellite television in Europe. I answered, somewhat hesitantly, that transmission via satellite was of the highest importance for retransmission and exchange of programmes over the vast distances to be covered in Asia; though in Europe our terrestrial channels made its immediate introduction unnecessary, we felt that the use of satellites for intercontinental transmissions by American and Asian stations made good sense.

Today, in fact, there is a regular twice-a-day news service in operation with the majority of

European stations, using television film to carry news of important events, which subscriber corporations can switch into, or switch out of, at will; and satellite transmission for intercontinental use has proved itself in a number of different areas.

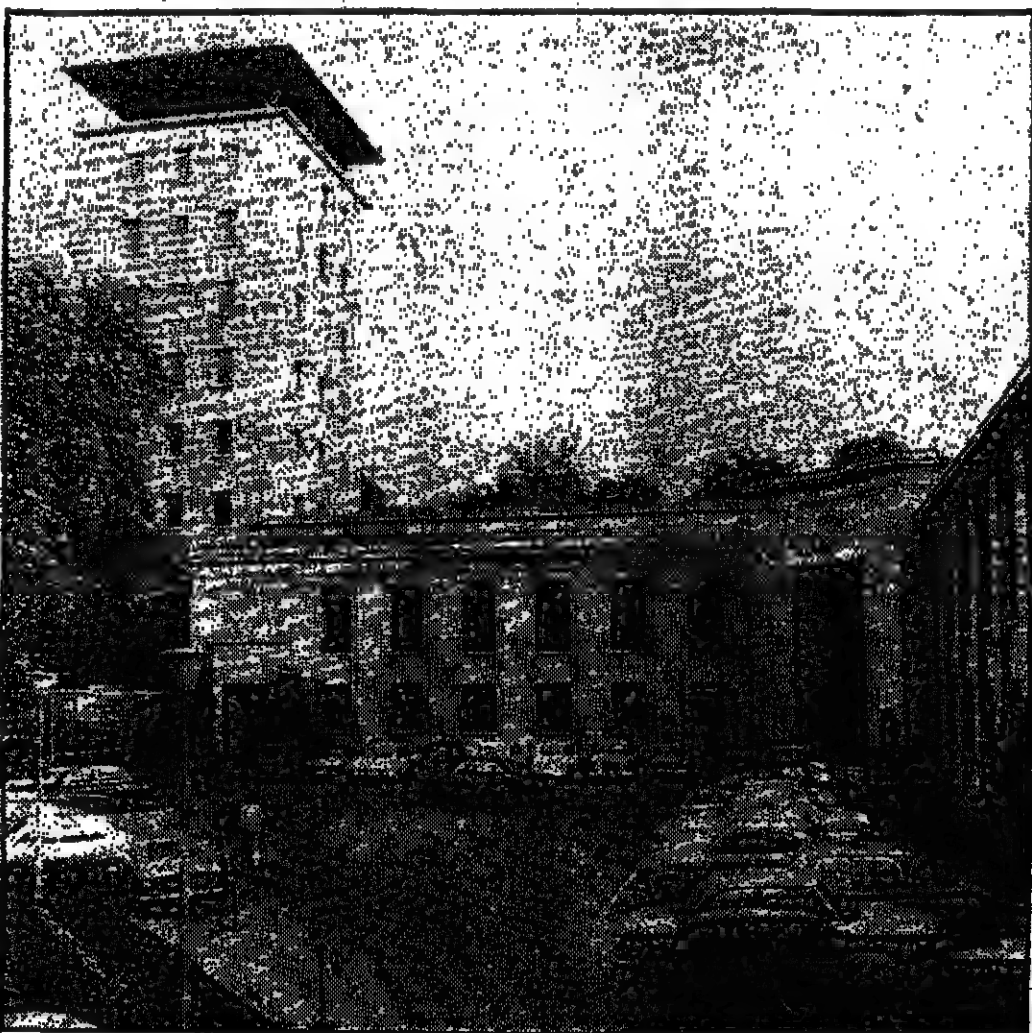
But, since the time I mentioned, technological development has been accelerated and improved, and demands for more and better programmes can be brought to viewers, new cable and satellite services are being discussed, and these discussions are often heated and decidedly contentious.

Opponents of an increased range of programme services from whatever source, through the employment of new technologies make two points:

First, even under present conditions financial and production requirements mean that — especially in entertainment — use has to be made of mediocre material, which then spreads, as has been shown with the numerous private television stations in Italy. If advertising were to come on the scene, we should never be free of certain American practices, such as programmes interrupted by advertisements.

Second, viewers would be exposed to a flood of television, which would reduce still further people's own creative leisure activities, and family and social communication. Ever fiercer competition would promote more programmes, classed as light entertainment at the expense of worthwhile material, news and world affairs; viewers could switch from one light and superficial programme to another.

As a philosopher and teacher, as I have always tried to remain during my time as director, I do not take these objections lightly. But these dangers — in part at least — already exist; they do not depend on the number of programme services. It is a question of educating the medium to be selective. One programme service transmitting round the clock is likely to be "more dangerous" than one



Headquarters of Radio Tele Luxembourg

served by several different suppliers at the same time for specified periods.

One thing, of course, remains true in the arguments against full use of available technologies for the media — not everything that is technically feasible is desirable or a blessing. Where does the limit lie, and what constraints should be adopted?

A television service with a European format — whoever the supplier and whatever the means employed — should be built round systematic exchange of the existing programme. The national television corporations should reciprocally present programme productions of their own in an association firmly based in the European Broadcasting Union and embracing also the Mediterranean countries.

Joint productions should also be prepared on a long-term basis, to be synchronized either as part of the respective national services, or transmitted in a common service. This form of joint production, with the exercise of central control, could in particular handle series and material based on our European history, our literature, and our way of life and

outlook, and be an important addition to the films and television from the New World.

The rudiments of this already exist. But a newly created television service (such as a European satellite) would be failing in its task if it did not reflect the plurality of Europe, and if financially it was forced to turn to the international supply market. It would then be exposed to the dangers which the first objection warns against.

Such an image of Europe would need to be complemented by the voice, or rather the voices, of Europe. By that I mean an exchange of information in the widest sense on the television screen.

Without wishing to decry other services in any way, I can say from my own experience that German television is the best at explaining present conditions in other countries in Europe and the world. This is because the news content in ARD and ZDF programmes, in relation to the entertainment content is almost disproportionately high. The balance in a European programme would need to be mutually adjusted. But restraint on the part of viewers is still needed. The

smaller the world becomes, the closer events appear. The greater the detail, the more essential is education on how to be selective over viewing.

People talk rather glibly about the "selective" behaviour of viewers, but have little confidence in the majority of people. Without waiting for the results of surveys on viewer behaviour, the use of the button for switching on, or off must represent the attitude of consumers.

The way to handle the different television channels must be learned and practised from early on (not merely talked about). To use the media, especially television, you need the art of "reading out", or choosing. Without these, people will not be able to hold out against the mass of pictures, words and sounds.

These thoughts about television production, and even more about the consumer, may be considered rather naive. But I think it is idle to spend time on the question of naivety, or on doubts, when expansion is undoubtedly happening. The basic legal and financial and organizational principles for a European channel should be thought out in conjunction with governments.

## Release from all-night sessions on sheepmeat

After more than six years as the correspondent of *The Times* in Brussels covering the EEC, I have decided to release me for duty elsewhere. I say "release" if only because a term in Brussels seems to be widely regarded in the profession as some kind of journalistic hard labour to be avoided at all costs.

"Six years? My god, how have you been able to stand it? All those green pounds and mecs and all-night sessions about sheepmeat. Quite incomprehensible. Terribly impressed by your grasp of the detail, my dear chap, but frankly I can never get beyond the first paragraph. Won't you be glad to get back to the real world?"

Most Brussels hands learn to become inured to such comment, but the cumulative effect is undoubtedly dispiriting. I speak as a Briton, but my impression is that the experience of journalists from other EEC countries, no matter whether their public opinion is well or ill-disposed towards the Community, is much the same.

Outside Washington, Brussels probably boasts the largest captive international press corps in the Western world, the volume of words generated, whether over the air waves or the printed page, is at least as great as from any other centre of news. Yet, seldom, can so much journalistic effort and resources have been deployed to so little effect.

Not that it is, or should be, any part of the function of journalists to promote support for the EEC. But they must at least hope to dispel ignorance and excite interest. It must be admitted that, in Britain at least, the press has signally failed in this task. Despite the acres of words that have been written, the general public knows as little about the EEC now as it did when Britain joined in 1973, and cares less.

Undoubtedly, the intractable nature of the subject matter, which is often highly technical, the almost impenetrable legal terminology in which much of the EEC's activities are veiled, and the arcane workings of its institutions do not help understanding or make the journalist's task any easier, but in themselves, they are by no means insuperable obstacles.

More serious perhaps, is the EEC's own stagnation after the early years of fairly rapid development, and the sense it purveys of endlessly turning over the same soil. Thus the "quality" newspapers dutifully chronicle each glacial shift of position in, say, the endless fisheries dispute, which has now been going on literally for years, and succeed only in deepening their readers' bewilderment and incomprehension.

To be sure, the circuitous and apparently meaningless discussions of the EEC's Council of Ministers often conceal important social and political issues, but newspapers only from time to time have the

space to examine these in depth, in daily coverage they can only be hinted at.

Much of what happens in the EEC is also, in the phrase beloved of drafters of diplomatic communications, an "on-going process", rather than a series of clearly defined events. The appetite of newspapers for hard news inevitably leads on occasion to sensational inflation of what are often quite trivial differences of opinion in the Council of Ministers into "major rows" and "clashes".

None of this advances the cause of enlightenment, and few journalists can say with hand on heart that they are free of guilt. But the problem, I think, goes much deeper, the news media — and I am speaking now mainly from British experience though again I would guess the situation is not so different elsewhere — has yet to come to grips with the problems presented by coverage of the EEC.

Broadly, Brussels is still regarded as just another foreign posting. The EEC and its affairs are seen as the arcane and esoteric province of the Brussels correspondent, and correspondents in other EEC capitals show little desire, and are in general not encouraged, to take an intelligent interest in the ramifications of Community membership in their territories.

Home-based reporters specializing in such fields as industry, agriculture, economics, social and consumer affairs and the like do, of course, write about EEC issues, but usually with scant knowledge of the workings of the Community's institutions or its decision-making procedures and frequently in near-total ignorance of the attitudes and political economic and social forces at work in other Member States.

As a result, they are very much at the mercy of the propaganda, whether pro or anti-EEC, put out by national lobbies, and ill-equipped to judge the value of such information against a broader backdrop. It is perhaps instructive that only one British newspaper, *The Daily Telegraph*, regularly sends its agriculture correspondent to cover meetings of EEC agriculture ministers in Brussels.

On the face of it, Brussels correspondents are in a more privileged position, having access not only to the European Commission but also to 10 separate national delegations competing to provide their version of events. But despite this range of information sources, the Brussels-based correspondents are in their way as much prisoners of the system as their fellows at home. The commission, though through its own distorting prism. When I first came here, for example, journalists who dared to ask for information about the net budgetary balance of member states were told tersely that it was impossible to calculate. This attitude changed

only when the British Government insisted that such figures be produced.

In covering the meetings of the Council of Ministers, the pressures of space and time make it difficult for journalists to do much more than give a summary of the line taken by their own country's minister and a brief reference to the reaction of other member states. Inevitably, the "home" minister is the main source about what has been discussed (the meetings being closed to the press), and (or her) version can seldom be properly checked against other accounts.

The sheer range of subject matter is also daunting and, in the end, limiting. To do full justice to the Common Agricultural Policy, for example, a journalist would need to be an agronomist, an economist, a specialist on exchange rates, a constitutional lawyer, and to have detailed and continuously updated knowledge of the development of agricultural policy in each member state.

This is clearly beyond the compass of a single journalist, particularly when he is expected at the same time to be an expert on foreign affairs, the minutiae of international trade disputes, nuclear energy, the problems of the declining steel, shipbuilding and textile industries, the environment and the host of other matters that are affected one way or another by EEC membership.

It is also true that the Brussels-based correspondent does not have ready access to the important alternative sources of information in Member States, such as the views of trade unionists, scientists, ecologists and so on, against which the information put out by the Commission and the decisions of the Council of Ministers needed to be measured. The Brussels picture is therefore necessarily incomplete.

What can be done? The first step — obvious though it may seem — must be to recognize that the EEC is not "abstract" in the traditional sense. Home-based correspondents need to be much more closely involved in the Brussels dimension of their particular specialties, and so becoming responsible for coverage of the more technical and specialist council meetings, for example in such areas as energy, the environment, education or labour affairs.

This would leave Brussels correspondents free to trace the main political, economic and social trends and to attempt to set them in a more general context. Ideally, this would require the freedom to travel much more widely within the EEC, and to examine in depth the different national attitudes to the main issues, than is now generally the case.

Michael Hornsby

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## SOUND THE ALARM

It is only too easy to ascribe causes to the appalling events in Toxteth and Southall. It is considerably more difficult to propose a course of action that would reverse an apparent trend to mass violence now being witnessed on the streets of England. Each riot had its own trigger, but the underlying causes are deeper, and they go back a long way. To traffic in facile short-term solutions for problems that properly require a fundamental re-appraisal of our society will reap no benefit, yet to admit that nothing can be done other than in the long term is to accept the probability of more frequent, and more intense, street riots in the future, in which there will be fatalities.

One consequence of the weekend's disturbances is that Mr Whitelaw, the Home Secretary, has belatedly announced that policemen are to be provided with better protective headgear and fire-resistant clothing. The helmet and the cap are totally inadequate protection against flying missiles, the numbers of policemen with head wounds show. Riot shields may provide a defence against stones, but there is not much point in having them if they inflame when struck by fire bombs. That is also true of the traditional but fire-absorbent bobby's uniform. The improvements announced by Mr Whitelaw will not, in themselves, stop the rioting, but they should help to reduce police casualties.

Methods of containment and dispersal of rioters must now become tougher. The use of CS gas should be held back as a last resort, but if the circumstances warrant it, as they did early yesterday morning, the police should have no hesitation in using it. The water cannon, much in evidence abroad and apparently reasonably successful in containing disturbances may have to be introduced. It is spectacular and has considerable effect, yet it seldom inflicts injury. The plastic or rubber bullet, however, should not yet be introduced into the armoury of the English police.

A better equipped police force might also be able to arrest more of the violent men and boys who confront them. In all three of this year's big disturbances, the number of arrests made can only have been a small fraction of those who have committed serious crime. As it is, many of those apprehended

are charged with offences connected with the looting which follows the main riots, rather than with the acts of violence themselves. It is too soon to see a definitive pattern in the convictions obtained and sentences imposed for crimes committed during the Brixton disturbances, but it is already clear that the charges laid do not in their totality reflect the seriousness of the events. It is difficult for the police to make arrests when they are under constant attack themselves, but there are also cases in which criminal law which could be filled to advantage. The Times has already argued that it should be an offence merely to be present at a riot after the police have given due warning to disperse.

The police have many lessons to learn. Accumulating evidence that insensitive policing can no longer be explained away by throwing doubt on the motives of the critics. Out of their own mouths police officers called as witnesses before the Scarman inquiry have demonstrated the rigidity of police methods, and the difficulty many appear to have in understanding — and meeting — the particular needs and difficulties of the ethnic minorities. Senior cadres, particularly, have not demonstrated the flexibility and flexibility of approach necessary to police a pluralist society. Somehow the training of younger policemen for the demands of a multi-ethnic community has to be developed. Whatever the standard of policing shown in these areas, there can be absolutely no excuse for the kind of vicious behaviour exhibited in the streets of Toxteth, Southall and Brixton. No excuse at all. But it is essential that government and local authority should seek out the underlying causes of the violence. For if they do not apply their minds to the longer term issues, and take action, the future is bleak indeed. Of course, it is just as misguided to explain every act of mass hooliganism by reference to the prevailing environmental conditions as it is to deny that social and economic conditions play a large part in creating an atmosphere in which violence and delinquency flourish. Not every community facing social deprivation reacts to it in the way Brixton and Toxteth have done; nor should any community have to react like that.

Is it fair to explain these events in terms of an emerging generation without hope, or should we not remember the vast majority of that generation which exhibits no such signs of despair? Many of its members do have to live in the decaying inner cities, from where the more able, the more self-sufficient, the more ambitious, have quite leaving behind the less fortunate and the inadequate. Their housing is often sub-standard; they live in vandalised tower-blocks or in soulless estates, denied facilities for entertainment or even for social gathering. Any community life there may have been has broken down. Educational facilities, too, have largely disintegrated through a vicious circle of insufficient funds, poor teachers, (who will not accept their faults and their responsibilities) poor facilities, and pupils without the will to learn. Parental control is often lacking, as lacking as it is with teachers. These factors apply to both blacks and whites, though less so to Asians, but they are more worse for the blacks, who have to face the added burden of discrimination, in housing, in employment, and in their attempts at social advancement.

Rootless, jobless, alienated from their parents' generation, resentful of the deal they are getting from society, they are black and white — find excitement in crime, in violence, in fighting authority, first with attitudes, then with stones. To them, police are both representatives of that authority, and also oppressors in their own right. Many of them see their attacks against the police not only as an outlet for frustration, but also as fun and excitement, helped along all too often by the influence of television, as a medium both to watch and to take part in. It is easy to recommend the provision of jobs, an end to discrimination, a revitalisation of the inner cities. It is not so easy to do. The Government does not seem to have grasped, however, that the future stability of our society may depend on how we meet this challenge. Inaction in a number of areas, such as the inner-city, suggests a certain disdain for a concerted social policy. Yet everything else will not necessarily come right once the economic situation improves. The alarm bells which have rolled in Brixton, Toxteth and Southall are tolling for us all.

## Selling off gas industry

From Sir Kenneth Hutchison, FRS  
Sir, The combined effect of the pressure on the British Gas Corporation to dispose of their showrooms and the order to sell off one or more of their most highly successful results of enterprise in the public sector, Wytham Farm oil and Morecambe Bay gas, has led me to conclude that some more drastic remedy is needed for what the Government sees as the evils of public ownership.

I propose, therefore, and seriously, that they offer the whole British Gas Corporation, lock, stock and barrels of oil, as a going concern to the private sector, to whom it will provide an unrivalled investment opportunity. The figures are high, even after allowing for substantial gains, but once the principle is established, the sale of the industry could be spread over a number of years.

Before I am shouted down by the combined forces of financiers, economists and politicians, let me just say that they study the record of the last 20 years of the Peoples Gas Company of Chicago: a period during which it has grown and flourished and expanded into a state gas transmission and now owns oil and gas exploration and production companies, and will shortly reappear as two closely linked enterprises under a single holding company.

That can best be accomplished under the rules of private ownership and public accountability, free from political pressures, which I propose to answer. I welcome the demands being made in the successful of our nationalised industries.

Yours faithfully,  
KENNETH HUTCHISON,  
The Athenaeum,  
21, W. Hill, SW1.  
July 1.

## Local authority dilemma

From the leaders of Middlesbrough Borough Council and Cleveland County Council  
Sir, The comments attributed to the Health and Safety Executive in your report (June 26) on Carless Chemicals Ltd miss the central point in an important issue of principle. It affects not only Cleveland County Council but many other local authorities with long-established industrial plants within their boundaries.

One might get the impression from your report that the executive has done its job and that the end of the matter is by no means so simple. The chemical firm introduced a hazardous process involving the treatment of ethylene oxide. It did not require our authorities' consent to take place, and it is not clear that it has conscientiously carried out the safety measures proposed by the executive.

But the executive, on the grounds that it is a training and even the local authorities' advice that would wreck plans to redevelop an important part of central Middlesbrough and would mean the area being blighted for an unknown number of years.

What are local authorities to do in these circumstances? They do not have powers to prevent such risks arising in established industrial areas. They cannot afford to buy out every such risk as it arises. They cannot easily ignore the expert advice of the executive and yet they cannot tolerate the idea of important urban areas being blighted.

Our contention is that either the plan does not present an unacceptable risk, in which case the executive should amend its advice, or there is an unacceptable risk that should be removed. If the executive is justified in its belief that its plan does not present an unacceptable risk, the answer to the problem must lie with Parliament.

It is absurd and unjust that an important urban area should remain blighted by the activities of a government agency, simply because that agency is unable or unwilling to act on its own expert judgment.

Yours faithfully,  
WALTER PERRIER,  
Leader,  
Middlesbrough Borough Council,  
MARTIN SUTHERLAND,  
Leader,  
Cleveland County Council.

## Labour's Russian guests

From Mr Nick Butler and Mr Jim Murphy  
Sir, As active Labour Party members and trades unionists we wish to register a strong protest against the proposed invitation to Communist Party leaders to the Soviet Union and Eastern Europe to attend this year's party conference (report, June 30).

While we endorse Eric Heffer's claims in seeking to have representatives of the Soviet Union invited, we cannot accept that the invitations make the invitations to official Communist Party representatives any more legitimate. Inviting the CP does not excuse inviting the master.

We are, of course, in favour of détente. True détente, however, is more likely to result from the development of democratic socialism, and freedom of thought and movement in the Soviet Union and Eastern Europe, than from the maintenance of repressive military bureaucracies. Many of the dissident movements yearn for détente and for open political debate between East and West. It is they who should come to Brighton, not the CP.

Yours faithfully,  
NICK BUTLER,  
JIM MURPHY,  
130 Telford Avenue, SW2.  
July 2.

## Whitehall Theatre

From Mr Derek Nimmo  
Sir, I was intrigued to read in your columns (June 26) the letter from Mr Monty Moss, of Moss Bros, Covent Garden, pleading that the Whitehall Theatre should be removed from Whitehall on the grounds that it was "inappropriate". Surely the Whitehall Theatre is no more inappropriate to the centre of government than a clothing hire shop is to the centre of the theatreland.

Yours faithfully,  
DEREK NIMMO,  
15 Garrick Street, WC2.

## LETTERS TO THE EDITOR

### Objections to official defence policy

From the Mayor of Gillingham  
Sir, One might expect the Mayor of this borough, which is threatened with the loss of 7,000 jobs and 6.6 per cent of its total rate revenue, to be opposed to the closure of the Chatham Dockyard and naval base, but I am writing to you not in that capacity but as chairman of a local Kent Committee representing all shades of opinion and upon the national rather than the local aspect.

Chatham Dockyard's commitment to the refitting of nuclear-powered hunter-killer submarines is 45 per cent of its total rate revenue, and only dockyard in this country with the capacity to undertake two-stream refits, dealing with two submarines at once, and on one occasion undertook a three-stream refit. In all, Chatham Dockyard has successfully completed seven major refits, each taking about two years, five short refits, one special refit and eight other refits. In addition to the two major refits currently in progress.

The alternative facilities are meagre. At the moment Devonport has capacity for only one-stream refits and has not yet completed even one, the reasons for which have not yet been made public. Devonport is also a major refit and in any event deals only with Polaris submarines. Portsmouth has no nuclear refit capacity whatever.

Nuclear refitting capacity is not anybody's job. The experience of Chatham took five years to build up and apparently is now to be destroyed before any adequate replacement can be made available, even if the refit is built. The replacement facilities can be built. The consequences for the submarine refitting programme are incalculable; without regular refitting at set intervals a nuclear-powered submarine becomes increasingly inefficient but actually inoperable, and to rely only upon the facilities outside Chatham would be a desperate gamble indeed.

The number of nuclear submarines is to be increased to 17, in addition to the four Polaris submarines, and yet the refitting capacity of the dockyards for hunter-killer submarines is actually to be reduced to Devonport, with a track record so far of one submarine refit.

Will the Government and the public accept with equanimity the prospect through the 1980s of an increasing number of hunter-killer

submarines laid up awaiting refit and unusable meanwhile?

Yours faithfully,  
HARRY BLEASE,  
Chairman of the Chatham Dockyard Defence Committee,  
Municipal Buildings,  
Gillingham,  
Kent,  
July 4.

From Professor J. M. Cassels, FRS  
Sir, The letter from Lord Duncan-Sandys (June 30) was perfectly written and argued. His conclusion appears irrefragably correct, that the most cost-effective, indeed the only way, to counteract the Soviet arms build-up is for us to continue with an independent, or nearly independent, nuclear deterrent, such as Trident.

The argument over, then? Unfortunately not, because the problem he considers is closely coupled to another one that he does not mention, that of nuclear war arising by accident, in a region where 10, 20, and even more nations could acquire some sort of nuclear weapons capability. Each nation could write itself a letter very similar to that of Lord Duncan-Sandys, except that in many cases some other anxiety would replace ours about the Soviet threat. Nevertheless the overall collective effect would be to produce a situation in which a holocaust was highly probable, if not absolutely certain.

This country has an excellent record in the efforts that are being made in the arms race. Nevertheless the results so far are frail. One power that is not a signatory to the non-proliferation treaty has recently attacked and destroyed a nuclear reactor belonging to another power that is so. This must be a "red alert" to anybody who thinks seriously about the future of mankind.

How can we tackle this second, and perhaps more serious, problem in a credible way while we act along the lines described in Lord Duncan-Sandys's letter? I have not the slightest idea, but I hope that the Government is giving the question the priority it undoubtedly deserves.

Yours faithfully,  
J. M. CASSELS,  
Lyon Jones Professor of Physics,  
Department of Physics,  
Oliver Lodge Laboratory,  
University of Liverpool,  
Oxford Street, Liverpool.

### University economies

From Mr Reg Tait  
Sir, The cuts in university teaching staff provide a rare opportunity to help bridge the damaging divide between the academic and business areas of our national life. If that opportunity is not seized, there will be a pointless hemorrhage of some of the best qualified staff abroad while senior staff, who have years of useful work left to contribute, will take early retirement.

What is needed is a scheme to allow university teachers under 40 to retrain for business life, and especially for manufacturing industry. Short courses giving a superfluous knowledge who have been trained in the university would be a waste of money. We need two-year courses coupled with scholarships, maintaining the student's income at its previous level since these will usually be people with young families who would otherwise be forced to take whatever offered. The terms should be attractive enough to interest those with secure academic careers ahead of them; this should not be an easy option for the second year.

Who should invest in such a scheme? Because these are overwhelmingly people possessing excellent degrees and the intellect and character usually associated therewith. They could fortify the growth of our business just as their predecessors revitalised the Armed Forces and administration during the last war.

Such a scheme need not even cost a great deal. If the saving in redundancy payments is taken into account. Nevertheless the Government could perhaps demonstrate their faith in their long-term strategy of industrial regeneration by meeting part of the cost of a scheme which would directly contribute to that strategy's success.

Yours faithfully,  
REG TAIT,  
Four Winds,  
Pebble Hill Road,  
Bechworth, Surrey,  
July 3.

### Pay in South Africa

From the Chairman of Rowntree Mackintosh  
Sir, In your Parliamentary Report on June 25, Mr Dennis Skinner is reported as saying, "Government are not doing out large sums of money to the Social Democratic Party, to stop their brutal form of apartheid by paying starvation wages to black South Africans?"

As Chairman of Rowntree Mackintosh Ltd, whose subsidiary Wilmar-Rowntree (Pty) Ltd operates in South Africa, may I say that Wilson-Rowntree does not pay "starvation wages" to any of its employees, black, whites, coloureds or Asians. The company's record of conduct is excellent and it has been a leader in improving the pay and conditions of black Africans.

Second, our "doing out large sums of money" to the Social Democratic Party, Rowntree Mackintosh has a firm, longstanding policy of not making political donations of any kind.

Yours sincerely,  
KENNETH DIXON, Chairman,  
Rowntree Mackintosh Ltd,  
York,  
July 3.

### St Paul's fire risk

From Mr W. R. Chalmers  
Sir, If any of your readers are perturbed by the report (July 3) of the British Safety Council's anxieties about the fire precautions in St Paul's Cathedral, they may care to be reminded that St Paul himself stated (1 Corinthians, VII, 9) that marriage and burning are mutually exclusive alternatives.

Yours faithfully,  
WALTER R. CHALMERS,  
The Warthen House,  
Sherwood Hall,  
Nottingham,  
July 4.

### From Mrs Jackie Savard

Sir, Are those who are so concerned about the fire risk in St Paul's (report, July 3) in danger of forgetting who designed the cathedral and in what circumstances?

Yours, etc,  
JACKIE SAVARD,  
Baling Vicarage,  
11 Church Place, WS,  
July 3.

## Cuts in county council staffs

From the Chief Executive of Hertfordshire County Council  
Sir, Your third leader (June 26) stated: "In local government the bureaucrats offload any sacrifices on to meals on wheels, home helps, or any other service which actually helps the public." Experience shows that such assertions come quickly to be accepted as universal truths, especially when they feed public sentiment and are expressed in such pejorative terms.

In Hertfordshire some years ago, after the then Mr Harold Wilson's famous "chiefs and Indians" speech, we identified county council staff under three heads — service (approximately 60 per cent of the total), those in direct contact with the public, e.g., teachers, firemen, home helps, residential care staff, and policemen (approximately 35 per cent), those in immediate support of the service staff, e.g., cleaners, laboratory technicians, welfare help-out and school meal staff, and administrative, consisting of those not in the first two categories. Since that classification was made in 1975 staff in the service category has increased by 0.2 per cent, while the other two categories together have been reduced by 14 per cent and 6.2 per cent respectively.

Let it be taken to task by some of my colleagues in the service staff and police where numbers of staff have had to be reduced as school rolls fall. I should explain that the first figure masks an increase in some services and a reduction in others. Moreover, it acknowledges that the effectiveness of the work of the service staff can suffer from the loss of support and, indeed, administrative categories.

Nevertheless I have found the continuing concern of the administrators to do what they can to protect "the sharp end" because of their concern for the services they came into local government to improve; a cause for congratulation. I certainly do not recognise an anxiety to preserve their own skins at their motivation.

Sadly, but perhaps not surprisingly, after six years of the tending and disciplining task of managing squeezes and cutbacks with scant public understanding, never mind sympathy, not a few of them have welcomed the prospect of escape on reasonable terms.

I do not believe the situation in this county is unique.

Yours faithfully,  
M. J. FLEMING,  
County Hall,  
Hertford,  
June 30.

## Vaccination effects

From Dr G. H. Curtis Jenkins  
Sir, The recent correspondence in your columns (article, May 13; letters, June 12, 30) about the risks associated with pertussis immunisation needs urgently to be placed in proper perspective.

Using the stated risk factor of serious irreversible reaction occurring in one in every 300,000 injections or one in every 100,000 injections in one year, and three injections of the vaccine to ensure substantial protection, in our practice of 18,000 patients with a birth rate of 200 per annum, if we had been giving pertussis vaccine to all our children, we have reached the Battle of Bosworth Field we should by now have seen our first irreversible reaction.

Using the same stated risk factor for measles immunisation, the Roman Empire, in one year, should have begun as we started our immunizations for us by now to have seen the first child harmed by it.

In the past two years at least two young men from our practice, population have been killed on motor cycles. Need I say more?

Yours sincerely,  
GRAHAM CURTIS JENKINS,  
50 Church Road,  
Ashford,  
Middlesex,  
June 30.

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JACKIE SAVARD,  
Baling Vicarage,  
11 Church Place, WS,  
July 3.

## CAN TWO NOT PLAY AT THIS GAME?

A national strike which fades off the front pages is normally a strike which is well on the way to failure. As far as most of the public are concerned, the civil service dispute is settling in as one of the less pressing irritations of a cheerless summer in which race riots and hunger strikes have occupied the forefront of attention. As a means of securing public sympathy or more grudging respect (which to some degree most major strikes hope to achieve along with the money), the action has been an ignominious failure. But it would be a mistake to judge the civil service action in the usual straightforward terms. The groups who have been affected have often been affected severely: they include many companies, put in jeopardy by the loss of VAT returns, applicants for driving licenses, passport, and register office marriages, some waiting for justice in Scotland, and a million retired former fellow public servants whose pension payments have been disrupted.

But it is the effect on the public finances which will be crucial, and in the nature of things the Government is not likely to advertise in advance the point at which the loss of revenue would become insupportable. The total of uncollected tax is now more than £8,000m — a figure roughly comparable to the entire cost in salaries, pensions, accommodation and overheads of running Whitehall for a year. Much of this should be recovered after the resumption of work, but some will be lost, and there will be no recovering the interest payments of £70-80m on money borrowed to make up for the lost revenues. In addition, British Airways have lost £40m from the cancellation of flights.

These rising costs, both private and public, make it an increasingly acute question whether the Government should act decisively to bring the languishing dispute to an end.

Only one civil servant in a hundred is actually on strike, let alone foregoing pay. It is no great burden on the other 99 supporting that one indefinitely while they continue to enjoy full pay. For members of the public the underlying causes of the strike, it is offensive to see those who support and sustain it carrying on unscathed. There is substantial pressure outside and inside the Government for action to make the wider membership of the unions feel that they have something to lose as well as gain from carrying on.

One course is ready to hand, and Lord Soames has already hinted at it: the possibility of withdrawing the offer already made. The costs imposed by the strike must already have eaten up several percentage points of the seven per cent that have been offered, and it would be quite reasonable to adjust the offer accordingly. It would be a justified move, but it would only have a limited impact because however seriously it was meant (and it would be idle not to take it seriously), it would be widely regarded as one of those wariness which are tacitly forgotten immediately peace is in sight. However, it should now be withdrawn.

Whether or not to go beyond this rests on a delicate calculation of need and advantage. Two obvious counter-measures are open to the Government: dismissal of the minority actually on strike and sanctions against those who have been refusing to take on their work where contractually required to do so. Both risk creating martyrs, but either would be legitimate if the circumstances are desirable. It is worth noting, however, that the number of members refusing to handle the work of colleagues on strike has already dropped noticeably since the early days.

Both sides have the same problem, in a sense. Whichever of them raises the odds falls itself open to the suspicion that it has done so because it knew it

was losing. Hitherto the disputations on the union side about whether to raise the odds have been more public than those in the Government, and have created more of an impression of weakness. The outcome of the strike, it is offensive to see those who support and sustain it carrying on unscathed. There is substantial pressure outside and inside the Government for action to make the wider membership of the unions feel that they have something to lose as well as gain from carrying on.

The balance of opinion in the unions themselves deserves close study. Twice the nine unions have debated whether to intensify the strike, with all that that would mean in hardship for the public and expense for their members, and twice they have drawn back in spite of all their confidence rhetoric and the eagerness of the largest union, the Civil and Public Servants' Association. Even if an all-out strike was called, it is unlikely that more than about half the members would respond. Some who did would be unable to afford it for long. A small but significant pointer to attitudes is today's report that a group in the CPSSA are pressing their union to make a unilateral proposal for a flat-rate settlement which would benefit their members at the expense of the better-paid ones. This demoralising move may split the unions after their next meeting on July 14, or bounce them into all-out action. If their internal politics led them into raising the odds on their own account in spite of the misgivings of many of their leaders and the followers, the odds and risk of that decision would fall squarely on them.

Yours, etc,  
JOHN POTTER,  
Director of Postgraduate Medical Education and Training,  
John Radcliffe Hospital,  
Oxford,  
July 3.

## Tired doctors

From Dr John Potter  
Sir, — Mr Cecil Clothier has revealed (report, July 3) that one doctor fell

asleep on the job last year and that this had very serious consequences. This in itself makes a news story, but what were the exact circumstances?

It is not unknown for young hospital doctors to get little or no sleep for two nights, or even more. Mr Clothier recognizes that "overpowering fatigue is a familiar torment to many who work in the caring services". Though duty, as he rightly says, is not to be demised, sleep is nevertheless an almost inescapable consequence of fatigue that is overpowering.

Yours, etc,  
JOHN POTTER,  
Director of Postgraduate Medical Education and Training,  
John Radcliffe Hospital,  
Oxford,  
July 3.

## Election recounts

From Mr E. R. Moseley  
Sir, In his letter published on July 1, Mr Barry Henderson, MP, suggested that forfeiture of a deposit was not a legitimate ground for a recount.

Rule 47(1) of the Parliamentary Election Rules state: "A candidate or his election agent may require the returning officer to have the votes recounted or again recounted, but the returning officer may refuse to do so if in his opinion the request is unreasonable."

R. L. Leonard, in his book, *Guide to the General Election* states: "It is also permissible for a candidate in danger of losing his deposit where the number of his votes is close to the minimum required even though the

majority of the leading candidate is numbered in tens of thousands."

It seems clear, therefore that a returning officer may not reasonably refuse a request for such a recount provided the number of votes is close to the minimum, and this is the view taken by the returning officers for the four Cardiff constituencies.

Yours faithfully,  
E. R. MOSELEY,  
City Solicitor,  
City Hall,  
Cardiff,  
July 3.








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**Dollar**  
Index 110.6 up 0.8  
DM2.4502 up 359pts.

**Gold**  
\$404 down \$10

**Money**  
3 mth sterling 13-12½  
3 mth Euro 5 18-18½  
6 mth Euro \$ 17½-17½

**IN BRIEF**  
**Union chief criticizes NNC post**

The appointment last week of Mr Frank Gibb as part-time chairman of the National Nuclear Corporation has been criticized as "a stopgap decision" that resolves no basic problems.

Mr John Lyons, general secretary of the Engineers and Managers Association, said, "We hope it will succeed but if it does not then the Nuclear Corporation should probably be abolished."

He also questioned the value of the appointment of Dr Walter Marshall to lead a task force on design proposals for the Sizewell "B" Pressurized Water Reactor nuclear station.

Mr Lyons said: "Both these decisions have a patchwork quality about them. They are not the result of any deep consideration about the flawed organization and the industry to which successive ministers and governments continue to give inadequate attention."

**Mystery share buyer**  
William Collins and Sons (Holdings), the publishers, said last night that they were trying to identify the buyer of the world's second largest lead producer, a wholly owned subsidiary of Rio Tinto-Zinc. The shares will be held as an investment and the company does not intend to increase its shareholding.

Financial Editor, page 19

**£6m Chloride stake**  
A 14.9 per cent stake in Chloride, Britain's biggest battery makers, has been bought for £6m by Australian Mining & Smelting, AM & S, the world's second largest lead producer, which is wholly owned by CRA, itself a subsidiary of Rio Tinto-Zinc. The shares will be held as an investment and the company does not intend to increase its shareholding.

Financial Editor, page 19

**£1.39m tax ruling**  
The Inland Revenue has won a £1.39m tax case against Albert Gubby, who sold out his Kwik Save discount grocery chain, for nearly £12m, prompting a Department of Trade inquiry to avoid paying £1.39m in tax that arose from a gift of Kwik Save shares to his wife in 1972.

**Record credit growth**  
Bank of Italy plans to curb credit growth to percentage points to 12 per cent in 1981 have missed their target by an embarrassing margin. Heavy state sector borrowing spurred a 21.2 per cent expansion of credit between March 1980 and March 1981, the fastest growth on record.

**Pessimism on Italy**  
The Organization for Economic Cooperation and Development has said that there is little chance of a substantial recovery in the Italian economy before the end of 1982. It predicted that economic stagnation and high inflation will make for difficult wage negotiations between 1982 and 1984.

**C & W promotion**  
Mr Eric Sharp, part-time chairman of the State-owned Cable Wireless since February, is to become full-time chairman and chief executive, it was announced yesterday. The Government is expected to sell 49 per cent of the company's shares after the Telecommunications Bill's final reading today.

**Wall Street down**  
The Dow Jones industrial average closed 9.89 points down on Thursday's close at 949.30 on Wall Street yesterday. The exchange value of the pound against the SDR was 0.603844 and the dollar against the SDR was 1.3703.

**PRICE CHANGES**

Rises	Falls
Ass Leisure 4p to 120p	Berkley Hambro 10p to 275p
BBC Int 20p to 136p	BP 20p to 230p
Chloride Grp 3p to 30p	GEC 17p to 743p
Diploma 8p to 210p	Hammerson 'A' 15p to 645p
Finlay J 7p to 141p	Lans Secs 10p to 404p

# Du Pont sets record with \$7,300m bid for Conoco

From Frank Vogl, Washington, July 6

America's Du Pont chemical company has offered \$7,300m (£3,882m) for the Conoco oil and coal company in the largest business takeover bid in American history.

The move took Wall Street by surprise. The two companies began talks on June 25 and had completed the details within a week.

E.I. Du Pont de Nemours and Company, the largest chemical company in the United States, and Conoco Incorporated, the ninth largest American oil company and second largest American coal producer, have total annual sales of well above \$10,000m and employ more than 170,000 people.

One of Conoco's biggest investments is in the Murchison field in the North Sea. Du Pont will pay Conoco about \$3.5m for 40 per cent of Conoco's shares and exchange 1.6 Du Pont shares for each of the remaining Conoco shares.

The offer is said to represent a value of \$87.50 for each Conoco share. Du Pont said it is borrowing \$3,000m from the bank.

Du Pont, which relies on petrochemicals as raw materials for 70 per cent of its product line, has become increasingly worried about rising energy prices. In the mid-1970s, it was talks on a joint venture with the Atlantic Richfield oil company and, this year, signed an agreement with Conoco to buy natural gas.

In a letter to shareholders recently, Mr Edward Jefferson, who became Du Pont's chairman on May 1 after 30 years with the company, stressed the need to ensure more secure energy supplies.

Mr Jefferson said the planned merger would tend to reduce the exposure of the combined companies to fluctuations in the price of energy and hydrocarbons.

Du Pont has done extensive work in coal conversion and is looking for more coal to use in its plants.

Mr Ralph Bailey, Conoco's chairman, said: "Du Pont's sophisticated research and engineering skills will be a major asset to us in developing the full potential of coal as a vital domestic source of energy in the future."

Du Pont is smaller than Conoco in sales terms, but the oil company has been desperate for a merger to save it from Seagrams of Canada, the world's largest distillers.

On June 25, Seagrams offered \$2,500m, or \$73 a share, for 41 per cent of Conoco and that day Conoco started its talks with Du Pont. At the same time, Conoco ended merger talks with Cities Service Company, the Oklahoma oil company, which did not want to face a battle with Seagrams.

The American Justice Department's anti-trust division is bound to study the merger but is most unlikely to block it. Mr William Baxter, its head, said recently that he has no basic opposition to large mergers.

He said he would determine whether to block mergers on the basis of commanding market shares and would always study the economic and not just the legal aspects.

Shareholders' meetings of both companies will be necessary before the merger is complete.

Seagrams, which has more than \$3,500m available for acquisitions, is unlikely to top the Du Pont bid and Wall Street is expected to start speculating on its next target for a takeover.

Conoco's world wide oil exploration is unlikely to be interrupted by the merger. It had total sales last year of \$18,766m, an increase of \$5,700m on 1979 and it also produced 44.9 million tons of oil.

Conoco has a 29.54 per cent stake in the Murchison field, where it is the chief operator of a consortium that includes the British National Oil Corporation.

Du Pont sales last year rose by about \$1,100m to \$13,652m, but its profits fell by nearly a quarter to \$760m.

The company stressed today that it would continue its research on genetic engineering and life sciences, where it is a world leader.

Wall Street shaken, page 19

## Pound's slide boosts manufacturing costs

By Melvyn Westlake

The pound's recent fall against the dollar has sent fresh inflationary pressures through the British economy. Government figures published yesterday show a rise last month of 1.1 per cent in the price paid by manufacturing industry for raw materials and fuel.

Such products cost 14.1 per cent more than they did at this time last year. And the cost increases have accelerated in recent months. During the first half of 1981, they rose at an annual rate of almost 25 per cent.

Nearly two-thirds of the June rise in costs was directly attributable to the higher price of crude oil. Oil is priced in dollars, so any fall in the pound leads to a rise in Britain's sterling import bill for petroleum products.

This would have had an even greater effect last month if it had not been partly offset by a 10 per cent reduction in the price of North Sea oil. About half of Britain's crude oil purchases comes from the North Sea. The 10 per cent reduction in price was a result of a price war between the oil companies and the full benefit of that move is yet to be felt.

Other factors behind the June increase in manufacturers' costs were higher prices for imported wheat and some home-produced foods.

In Whitehall yesterday it was conceded that no reduction could be expected for some time.

**WHOLESALE PRICES**

Indices of (1975=100) of wholesale prices of manufactured goods and the basic materials and fuels purchased by manufacturing industry published by the Department of Industry yesterday.

Output prices (1)	Prices of materials and fuels (2)	In % change (3)	In months (4)
Nov 80	206.2	203.4	7.4
Dec 80	206.7	203.9	7.5
Jan 81	207.9	205.7	7.2
Feb 81	211.9	214.0	8.5
Mar 81	215.1	217.8	9.5
Apr 81	218.2	221.1	10.6
May 81	219.2	221.1	10.6
June 81	221.0	225.5	14.3

**Rises**  
Ass Leisure 4p to 120p  
BBC Int 20p to 136p  
Chloride Grp 3p to 30p  
Diploma 8p to 210p  
Finlay J 7p to 141p

**Falls**  
Berkley Hambro 10p to 275p  
BP 20p to 230p  
GEC 17p to 743p  
Hammerson 'A' 15p to 645p  
Lans Secs 10p to 404p

**Table, page 18**



Felixstowe: More than 500,000 containers are expected to pass through the port this year.

## Felixstowe becomes top container port

From Michael Baily, Felixstowe

Felixstowe has overtaken London as Britain's top container port. A new £32m container terminal was opened at the private enterprise port by Mr Norman Fowler, Secretary of State for Transport, yesterday. It will double Felixstowe's capacity to 750,000 20-ft boxes a year compared with London's capacity of about 500,000. Actual traffic last year is expected to exceed 500,000 through Felixstowe compared with about 450,000 through London.

Felixstowe was founded only 30 years ago by a corn merchant, but it has experienced a remarkable growth in a generally declining industry. It was the subject of a fierce takeover battle between European Ferries and the British Transport Docks Board in the mid 1970s. European Ferries won and has since linked up with Hongkong's C. Y. Tung Group which has provided £25m of the cost of the new terminal.

Helped by a good geographical position between Europe and the industrial Midlands, Felixstowe has gone from strength to strength while London declined. But another of its strengths, the fact that it is right away from other port areas and outside the dock labour scheme, is under threat and the port had its first big strike recently.

Dockers elsewhere want to force Felixstowe into the dock labour scheme and the local men are torn between the security that would provide and the prosperity they have enjoyed up to now.

Dockers have been earning as much as £200 a week and the management says this could have doubled with the expansion now taking place.

Management attempts to revise the agreement have so far produced only an uneasy truce, exacerbated by attempts by dockers in Southampton to block the big Dart container line which recently moved to Felixstowe.

The new terminal was described by Mr Keith Wickenden, the European Ferries chairman, yesterday as the most modern in Europe. Mr Fowler said Felixstowe showed just what could be done in this country.

## Barclays reshuffles top posts



In a big reshuffle of senior posts at Barclays Bank, Mr John Quinlan (above), has been made director of the bank and, at 51, becomes its youngest senior general manager.

He succeeds 58-year-old Mr Roy Vine, who held the post for just over two years after the retirement of Mr Douglas Hooper.

There is some suggestion now that Mr Quinlan could become a strong candidate for the chairmanship of the bank when it falls vacant.

He joined the bank 31 years ago in his home town of Norwich, was seconded to the Economic Studies department of the Societe Generale in Paris in 1960.

Mr Vine is to become a vice chairman of Barclays Bank UK. He was appointed a director of the UK bank in 1974.

Barclays also announced that Mr Owen Runt, senior local director of Barclays' Leeds district, will become a general manager and that Mr Humphrey Norrington, a regional director, will become a general manager and a director of Barclays Bank UK.

## EEC doves win on interest rates

From Peter Norman, Brussels, July 6

Sir Geoffrey said after a meeting of the Economics and Finance Ministers Council that there had been agreement that the EEC representatives should take a constructive approach, seeking areas of common ground.

The ministers said that the Europeans could do much in their own economic management to offset the effect of volatile American rates, but agreed that they were a cause of concern.

Mr Jacques Delors, the French economics minister, told the council that the United States' high interest rate policy and its impact on the dollar had the effect of a "third petrol shock". The Italian minister claimed that the dollar's rise had added three to four percentage points to his country's inflation.

Mr Nigel Lawson, the Financial Secretary to the Treasury, said there had been a "coalescence of tone of voice" among the ministers.

The four EEC representatives at Ottawa, Britain, France, West Germany and Italy, would speak in harmony, but they would not be aggressive.

The ministers agreed that President Reagan should be supported in his fight against inflation.

## Increase in value of Deutsche mark urged

From Our Own Correspondent, Brussels, July 6

West Germany's Council of Economic Advisers and the Organization for Economic Cooperation and Development (OECD) would like to see a rise in the value of the Deutsche mark.

In separate reports published today, the "five wise men" of Bonn urge a higher valuation of the mark in the European monetary system, while the Paris-based OECD hopes that an improvement in Germany's external balance over the next 18 months will bring to an end the downward pressure on the currency.

But neither body sees a rapid recovery in the West German economy. The council of advisers expects that gross national product will at best stagnate in real terms this year and could drop by 1 per cent.

The OECD believes that the decline in activity which started in the second half of last year will continue this year and any recovery in 1982 will be insufficient to produce a drop in unemployment.

The OECD report makes clear that high interest rates are playing a crucial role in limiting Germany's growth prospects. It argues that a 3 percentage point reduction in interest rates could lift real gross national product by between 75 and 1 per cent by the end of next year.

Nasty jolt, page 19

## Britain wins £5m rail track contract with Iraq

By Rupert Morris

A £5m contract to supply railway track materials to Iraq has been won by a consortium of British companies.

The contract is the biggest ever such order and will be welcomed by the Department of Trade, which concluded an agreement with Iraq 13 days ago.

It involves two companies, Railway, Mine and Plantation Equipment and Thos W. Ward (Railway Engineers), who are to supply 500 points systems, with spare parts, to the Iraq Republic Railways Organization.

The order, won against European and Japanese competition, is seen as a breakthrough for a new points system designed by Thos W. Ward.

The design, known as Thick Web Versatile, enables the points system to be adapted to a lighter rail, widely used in Iraq, unlike the standard European system. It was designed in close collaboration with the Iraqis, and is being developed elsewhere with British Rail.

The deal was the result of nine months' negotiation in a market hitherto dominated by European companies.

Mr Eric Marwood, marketing director of Thos W. Ward, the Nottingham subsidiary of the Thos W. Ward Group, Sheffield, said: "We have proved that we can break the stranglehold which continental manufacturers currently have on world markets."

"There is no reason why, with similar effort and entrepreneurial flair, we cannot break into other closed markets."

He added that the British railway industry would benefit considerably from spin-off orders.

## Pipeline delay 'wasted £500m'

By Rupert Morris

The Government wasted £500 million by failing to give prompt backing to the North Sea gas-gathering pipeline, Sir Denis Rooker, chairman of British Gas, said yesterday.

Sir Denis, answering questions from the Parliamentary Select Committee on the Treasury and Civil Service, said the Government's efforts to win private finance had delayed the project for at least a year.

"If we'd been able to forge ahead more quickly, the chances are we would have got the gas from the Statfjord field," Sir Denis said.

The Norwegian government, he said, would have been happy to do business with British Gas. Without the delay, Sir Denis said the corporation would have been able to secure better interest rates, and would have gained ground against oil production.

The Government's scheme to have the pipeline jointly financed by British Gas (30 per cent), financial institutions (30 per cent), the public (20 per cent) and the oil and petrochemical companies (20 per cent) is understood to have run into trouble when the oil companies were unwilling to support the venture without subsidies.

Sir Denis said the Government was trying to introduce a "totally new concept of privately financing a public utility," and made his scepticism quite clear.

He also told the committee that he had had to postpone projects because of the Government's external financing limits, which he regarded as too inflexible.

He pointed out that British Gas could be curbed from overspending but was never rewarded for underspending. He said this was a disincentive to saving money.

Sir Denis said the financing of the 572-mile gas-gathering pipeline should be kept separate from the corporation's main budget.

□ Sir Peter Parker, chairman of British Rail, told a Commons select committee yesterday that the Government's external financing limits on nationalized industries, British Rail says that private sector capital could be introduced and tied to specific projects.

## Jobs to go at Babcock foundry and Hoover

By Nicholas Cole

At least 255 jobs will be lost through the closure of a foundry at Gloucester and more than 100 workers have offered to give up their jobs in a voluntary redundancy scheme at Hoover's Merthyr Tydfil domestic equipment plant, in South Yorkshire, however, 300 jobs will be created at a new computer centre for the Midland Bank.

The jobs being lost at Gloucester comprise the entire workforce of the only foundry in the Babcock International engineering group, which blames the closure decision on the depressed state of the engineering industry and a downturn in orders from the motor industry.

The foundry made trading losses of £1.1m in 1980, and losses have continued at a similar rate this year. Mr Thomas Carlie, deputy chairman and managing director, disclosed yesterday. There was no indication of any improvement, and the group said it had no alternative but to close the foundry.

Orders outstanding for customers including BT, International Harvester and Massey-Ferguson will be completed. Closure is expected within four to five weeks. Redundancy discussions began yesterday, but terms will not be agreed until the unions have been consulted, Babcock International said.

A spokesman added that in view of the number of foundry closures in Britain, it was unlikely that the Gloucester plant would be sold as a going concern.

Hoover has called for an unspecified number of voluntary redundancies among all levels of the 4,000 staff at its washing-machine factory in Merthyr Tydfil, mid-Glamorgan.

Up to yesterday morning, more than 100 employees had volunteered to relinquish their jobs on terms which will provide them each with 10 weeks' money tax-free, in addition to the statutory entitlement.

Although the Merthyr plant has been on short-time since last September because of reduced market demand and competition from cheap imports, the need for redundancies there also arises from technological changes.

The company has no figure in mind on the number of redundancies required. Hoover has reduced the workforce at its three United Kingdom plants by about 1,500 over the past year.

Up to 300 jobs will be created at Tankersley, near Barnsley, following the completion later this year by the Midland Bank of its South Yorkshire computer centre. This is designed to replace units in London and Pudsey, and to serve the bank's international and head office division.

The Lea Works primary and plate mills at Wednesbury, Staffordshire - part of the former Patent Shaft Steel Works plant, which closed a year ago - has been purchased for £2.4m cash by Wiggin Alloys of Hereford. Its re-opening will create between 50 and 70 jobs.

Wiggin Alloys, which is within the Canalside industrial zone, is planning to open the mills early next year.

## COCOA PRICE BOOSTED BY PACT HOPE

By Michael Prest

Cocoa futures rose to more than £1,000 a tonne in London yesterday for the first time in almost nine months. Most contracts gained about £50, encouraged by the belief among dealers that a new international cocoa agreement will come into operation. In otherwise dull commodity markets cocoa also attracted increased speculative interest.

July delivery cocoa was up by £57.50 a tonne to £1,005, while September delivery rose by £51 to £1,023.50. Cocoa analysts said that the market viewed the agreement reached between some producers and consumers last week as a political deal which was necessary to the future of other commodity agreements.

# CARLESS

CARLESS, CAPEL & LEONARD LTD

**Results year ended 31st March**

	1981 £'000	1980 £'000
<b>TURNOVER</b>	57,634	63,735
<b>PROFIT BEFORE EXCEPTIONAL ITEMS</b>		
AND TAXATION	3,089	6,885
Exceptional items	1,704	(630)
<b>PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM</b>	4,803	6,265
Taxation (recoverable)/payable	(284)	2,293
<b>PROFIT AFTER TAXATION AND BEFORE EXTRAORDINARY ITEM</b>	5,087	3,972
Extraordinary item	—	370
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>	5,087	3,602
Dividends	1,357	1,256
<b>PROFIT RETAINED</b>	3,710	2,346
Shares of 10p each, in issue ('000)	49,350	39,480
Dividends per share: special interim	—	0.6826p
Interim	1.00p	0.80p
Final proposed	1.75p	1.70p
	2.75p	2.50p
<b>Historic cost earnings per share</b>	10.7p	9.6p
<b>Current cost earnings per share</b>	5.4p	2.7p

The directors are pleased to recommend a final dividend of 1.75p per share making a total of 2.75p per share in respect of the year to 31st March 1981.

The Annual General Meeting will be held on 8th July, 1981 and the final dividend, if approved, will be paid on 22nd July, 1981 to shareholders registered on 25th June, 1981.

Copies of the Report and Accounts are available from the Secretary, Carless, Capel & Leonard Ltd., 70/74, Cannon Street, London, EC4N 6DB.

Petroleum Chemicals and Fertilizers International Oil and Gas exploration and Production



# Bell Group raises holding in ACC

By Margaret Pagano

Mr Robert Holmes aCourt, the Australian entrepreneur who controls the expanding Bell Group, yesterday increased his stake in Lord Grade's Associated Communications Corporation to 16.68 per cent of the non-voting shares.

Lord Grade, ACC chairman, reacted with delight: "I am delighted and not surprised. I don't mind anybody buying the group's shares. It expresses faith in the company and Mr Holmes aCourt can buy up to 50 per cent if he wants," he said. "He realizes that although we have had one bad year we are going to recover."

Speculation centred last night on what Mr Holmes aCourt plans to do with the stake acquired through Bell's two associate companies, TVW Enterprises and Western Mail. Bell, the Perth-based industrial holding company with interests in earth moving, quarrying, freight and coal, owns roughly 40 per cent of the associates.

In May, through TVW, the Perth television station, it bought 5 per cent of ACC's non-voting shares. Yesterday TVW added 9.68 per cent and paid \$4.5m (£2.8m) for the 5.25m shares, to raise its holding to 16.68 per cent.



Lord Grade, chairman of ACC: "I am delighted."

Western Mail bought 3.8m shares for \$4.1m. ACC's shares eased 1p to 52p on the news but are recovering from the 11p fall to 47p when ACC announced sharply lower profits after heavy firm losses and passed the final dividend at the end of June. ACC has raised the final dividend to 10p, mortgaged forward television contracts such as the Muppets

to offset the £26.4m loss on feature films.

Most Australian brokers agree that Mr Holmes aCourt's business reputation points to a record of buying up to 30 per cent of a company and holding until a bidder appears. That a bid could be mounted from Bell for ACC is not suspected, but suggestions are that Mr Holmes aCourt might be

interested in board representation or joint ventures with ACC.

Lord Grade, who has met Bell's chairman only briefly, said that the idea of board representation was out of the question. He compared ACC's "bare voting structure to the Savoy Hotel group. "Look what happened to Sir Charles Forte," he said.

Mr Holmes aCourt, who failed in his bid last year for the 100 per cent stake in Rugby Portland Cement. His interest is said to rest on Rugby's own near 60 per cent holding in the Western Australian cement producer, Cockburn.

Mr Holmes aCourt, who is in his early forties, is thought to be one of Australia's richest men.

In 1970 he acquired Western Australia's Woolen Mills, founded in 1923, and in 1974 successfully bid for the present core of the group, Bell Brothers, changing its name to Bell Group. Bell's market capitalization is around \$66m, relatively small by Australian standards, but it is one of Perth's fastest growing companies.

## Payout cut after loss at May & Hassell

By Catherine Gunn

Falling timber prices and high stock levels are blamed for a £3m turnaround from profits to losses of £10.1m before tax at May & Hassell, the year to March 31. The timber merchant is paying a gross dividend of 4.71p, against 5.57p in 1979-80, after a £1m tax credit and extraordinary credit of £346,000, and some minority profits. Its shares eased 2p to 75p yesterday.

The timber importing side, which accounted for two-fifths of the £49.8m turnover, lost more than £1m, while the merchant and retail outlets made small contributions. May & Hassell intends to increase its retail side. "We aim to get nearer the consumer," Mr Peter Ball, company secretary, said yesterday.

Timber prices, which fell last year and squeezed the group's margins, steadied at the start of the year, allowing margins to improve. At the interim stage last year May & Hassell made just £101,000, down from £822,000, and had hoped for a better second half. Indications are that it has now returned to its profit level.

Heavy selling developed in the year-end, borrowings have been reduced from £17m to £12.1m, and stocks were £5.6m lower at £12.2m. The group is now restocking at lower timber prices. Interest on further £25.5m, down from £27.6m.

The group sold its interests in Zimbabwe, Malawi and South Africa last year for about £13m, making a £46,000 profit shown as an extraordinary item. The consideration is due over a period of between two and seven years.

## NCC sells its stake in Hampton

By Philip Robinson

Mr Graham Ferguson Lacey's NCC Energy group yesterday sold its 25 per cent stake in Hampton Gold Mining Areas for £8.4m.

The stake, bought 15 months ago at 32.5p a share before the NCC's one-for-four rights issue, was placed with 45 institutions by stockbrokers Rowe & Pitman at 23.5p, a 10 per cent discount on the market price. Hampton's price closed last night at 23.5p.

Mr Lacey has also sold two other NCC stakes which were below the 5 per cent minimum level raising a further £2.4m and giving a profit of £400,000. His profit on the Hampton stake is £1.1m. Proceeds of all three sales will go to reduce NCC's debt before the reverse takeover of the group by the American concern Simplicity Patterns.

Shareholders vote on the deal in three months. Last week NCC disclosed a pre-tax loss of £2.17m on a turnover of £27.5m. But the dividend was lifted by 25 per cent and paid from extraordinary profits on the sale of NCC's stake in Weeks Petroleum.

## Stock markets

# Gilts tumble on prospect of MLR increase

The strong possibility of a 2 per cent increase in the Minimum Lending Rate on Thursday sent a shiver through the market yesterday.

Government securities suffered heavy casualties with losses of more than £1 in some cases as prospects for an end to the recession appear to be growing dimmer.

Further evidence of this was seen with the June Wholesale Price Index which rose by 0.8 per cent, while the falling pound pushed the price of raw materials for manufacturers up by 1.5 per cent.

Selling was also accelerated by the news that the Bank of England was forcing discount houses to borrow money in the market over and above the current MLR rate. This, coupled with last week's news of the second £1,000m index-linked bond issue, pushed the price of gilts down.

Equities also appeared perturbed by the prospect and prices drifted throughout most of the day as jobbers took up defensive positions. The FT Index closed at its low point, 7.2 off at 540.8.

Heavy selling developed in electricals, where investors decided to take their profits after last week's good gains. Oils, too, were friendless with prices of further North Sea oil production in production leaving prices sharply lower.

Leading industrial remained depressed with Tube Investments leading the way down. Predictions about next month's figures lopped 12p from the price at 138p. JCI lost 6p to 276p, Eecham 2p to 223p, British Aerospace 7p to 334p, Hawker Siddeley 2p to 321p, and the rest of the group.

Unilever hardened 1p to 591p.

and BOC International put on 4p to 136p with the aid of press comment.

Mercantile House undid all its good work of increased profits and free share handout by announcing details of a rights issue for £9.6m which wiped 20p from the shares at 838p.

RW Toothill jumped 8p to a new high of 58p, after a return to profits and Eastern Produce added 1p to 74p and James Latham unchanged at 130p, all after figures. Associated Leisure managed to hold on to a 4p lead at 120p after disappointing trading news but May & Hassell shed 2p to 75p following its trading loss.

Awaiting figures soon, Dowry lost 10p to 284p. Initial Services 6p to 213p and Inchcape 7p to 100p.

Intriguing times for Arbuthnot Latham. Amid the bid rumours, it is believed NCC Energy has sold its 4.99 per cent stake to Electra Investment Trust. Arbuthnot closed last night 5p lower at 335p.

418p, but Sonic Sound, reporting Thursday, rose 3p to 112p. In electricals, Chloride put on 3p to 30p after CRA picked up 15 per cent of the equity in the company.

Put-through, arranged by the British Government, pushed 2p above the market price. Chloride recently reported losses of more than £10m.

Berec improved 3p to 61p on comment but the rest of the sector came in for heavy selling pressure, after recent good gains. Profit-taking lowered GEC 17p to 743p in the wake of recent figures while Thorn EMV, reporting on Friday, dipped 8p to 388p, with Plaxley falling by a similar amount to 330p.

Webber Electrical returned from suspension 9p up at 118p. Monday produced the usual crop of weekend press features.

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## First-ever loss for J Latham

James Latham, the timber merchant, sank into first-time losses last year, but a final dividend has been proposed.

Pre-tax profits of £982,000 in 1980 slipped into losses of £211,000 in the year to March 31. Turnover fell by 6m to £23.1m and Mr Michael Latham, the chairman, said that the low level of sales throughout the year was a significant handicap as the recession gripped virtually every consuming industry the group serves.

Excess stocks and the high level of sterling hit the soft-wood trading operation which suffered more in the second half. "This offset progress made in other sectors where lower borrowings and reduced expenses had begun to produce an improved performance," Mr Latham said.

This year the fall in sales has levelled out and June was quite a good month. A final dividend of 6.64p gross is proposed, against 8.2p, making a total of 11.4p, compared with 12.9p.

## AE and Lontrim seek USM quotes

Two groups, Aerospace Engineering and Lontrim Group, yesterday announced plans to raise fresh equity capital and join the United States Markets. AE wants to raise £2.45m by floating off two-fifths of its equity, while Lontrim, suspended from trading under Rule 153 (2) in October last year pending an acquisition, revealed details of a reorganization, a £258,000 rights issue, a £473,000 placing, and a change of name before seeking a new quote on the USM.

Aerospace Engineering is owned and run by Mr Reginald Mercado who through stockbroker Greene & Co, is offering 1.6m shares for sale at 153p, which values the whole group at £6.12m. He will retain 60 per cent of the shares. The group makes and assembles components for the aerospace industry, supplying the European Airbus and the Nimrod military aircraft, among others.

Lontrim, to be renamed Willaire Systems, has agreed management buyouts, for £30,000, total, of the businesses of the group which surged to form it in November 1979, and instead is buying Willison Controls for £500,000 in cash and £500,000 in shares, at 15p each, and Hepaite Manufacturing for £493,000 in shares.

Willison distributes flow control equipment and Hepaite makes clean air cabinets and products. Mr S. P. Willison will head the new board. Four out of six of the old Lontrim board are stepping down. All deals are subject to shareholder approval.

The one-for-two rights issue and the placing, both at 15p, will follow a reconstruction of the capital and ordinary and restricted dividend shares, which first brought the company to the Rule 153 market, with 25 per cent of the enlarged voting capital and two seats on the board. Profits of £85,000 in the year to next April 30, against £805,000, and dividends of 10.7p gross for the year. Applications must be in by July 14.

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Lontrim, to be renamed Willaire Systems, has agreed management buyouts, for £30,000



BY THE FINANCIAL EDITOR

## Pressure mounts on interest rates

After all the weekend speculation that the Government would not be averse to a raise in interest rates if that were the only way of preventing a headlong decline in sterling, financial markets were in the right frame of mind to read plenty into the Bank of England's intervention in the money markets yesterday. Certainly, both equities with the FT Index dropping 7.2 points to 540.8 and gilts, with falls of up to a point at the long end, were taking nothing on chance.

With long-term interest rates responding early to worries that the fall in inflation had come to a halt, the authorities moved quickly to bring short rates into line. As they have done routinely, the discount houses made their bill offerings on a repurchase basis when they found themselves short of money only to find the Bank rejecting their first two offers. On the third try, the Bank made funds available at a rate over Minimum Lending Rate, certainly a penal rate but one which the discount market had lived with before. The upshot was a rise in short rates with three month eligible bills up almost a point at over 131 per cent, suggesting that MLR ought to be a point higher at 13 per cent.

Short rates have been higher under the 12 per cent MLR, but the problem under the new system of controls is that the market finds it extremely difficult to gauge the sort of interest rate level the authorities are aiming at. Furthermore, clearing bank base rates could come under pressure if short rates stay at these levels as "round-tripping" becomes worthwhile.

## Chloride/AM & S Dawn raid with a difference

Mining companies seem to be more preyed on than predators these days. But Australian Mining & Smelting's purchase from £6m of almost 15 per cent of Chloride shows that mining companies are not the only ones interested in vertical integration. The industrial logic is straightforward. Chloride is one of the world's biggest battery makers and AM & S is one of the world's biggest lead producers. Ironically, however, AM & S, wholly owned by Rio Tinto-Zinc's Australian subsidiary CRA, is a major supplier to Chloride in Australia, but not in Britain.

Beyond that, AM & S wants to keep a close eye on developments in battery technology, since Chloride is now devoting a lot of time and money to new batteries, many of which will not use lead. Since batteries are the leading consumer of lead, now that it is being phased out of petrol, AM & S clearly has a strong interest in how the industry develops.

The financial side of the deal is coloured by the industrial. AM & S saw its chance after Chloride's recent £13.5m loss and the £17.3m rights issue had depressed the shares. But the average price of 32p paid for the 18.9m shares was rather better than Friday's price and helped push Chloride up 3p to 30p yesterday. AM & S says the stake is an investment, as well as an industrial safeguard.

But it will be some time before AM & S sees a return on its money, and the possibility of another rights issue in a few years by a cash-hungry company such as Chloride cannot be dismissed. AM & S may be glad that under the new takeover rules it cannot buy more than 15 per cent without making a tender offer. It cannot have missed Inco's expensive experience in the battery business.

## Mercury Securities

### Problems outside banking

A 6 per cent increase in net profits to £12.3m for Mercury Securities does scant justice to the performance last year of its merchant banking arm, which lifted its profits 30 per cent to £12.9m. But while Warburg's corporate finance department was flourishing at the centre of a string of takeovers and rights issues, Mercury's other divisions were foundering. The Stewart Wrightson stake's contribution turned down from £1.3m to £900,000, but more significantly the ever-volatile retail trading arm Brandeis Goldschmidt ploughed from £2.9m to a net profit of £1.2m after a small pretax loss.

Meanwhile, Brandeis' erratic history has

got nothing on its more recent trading performance. Judging by the welter of extraordinary deficits that Mercury has taken on board following the sale of this division to Pechiney of France at the end of May, a provision of £5m covers trading losses net of disposal proceeds—thought to be just above the £25m net asset value allowing for capital gains tax of about £5m—since the December year-end of the United States subsidiary and March year-end of the United Kingdom part.

Although there is some interplay between net worth and trading figures in the subjective world of metal dealing, Brandeis has clearly been having a terrible time covering positions in its specialist corner as prices of rare metals like cobalt and molybdenum have come under pressure. At the same time a £5.3m deficit covers a so far unfortunate expansion into metal recovery from oil catalysts in the United States and reflects Mercury's moves to clean the slate in preparation for a sale or closure. A small relief write-back mainly at Brandeis of £12.8m more than covers these items but the outflows do serve to show what Mercury could gain at least in terms of stability as a result of the sale.

The shares fell back 5p to 288p last night, after a strong rise of late, where a yield of 3.5 per cent—after a 7.7 per cent increase—represents a slight premium over others in the sector. It is a premium that should be justified given Warburg's potential, although the swing from famine to feast in the cyclical international issues business was a factor in last year's upturn. On the banking side, lending and acceptance credit business both surged ahead although of course margins here have remained under pressure.

Associated Leisure with nearly a fifth of the amusement machine market has lost its knack of disappointing those who play its shares. In 1979-80, pretax profits grew by only 9 per cent to £5.3m, but that was because brewers, smelting and doubled VAT, negotiated unexpectedly tough terms. In the six months to last September, a video machine boom meant big increases in depreciation and interest, bringing profits almost to a standstill; for the full year to mid-March, pretax profits fell from £5.3m to £4.6m, borne down by a policy of writing-off video games over 18 months and by recession effectively freezing amusement machine rentals. The day was saved by capital allowances on heavy investment, so that tax was only 18.5 per cent of available profits.

The end of the video boom leaves the group with "barely satisfactory" profits and depreciation is no longer racing ahead; although the group, having borne the cost of changing over its one-arm bandits to new payouts and stakes, will reap the benefit this year. The hope now is that pretax profits will bounce back to £6m but as tax will also rise sharply, earnings may not go ahead as fast. The shares rose 4p to 120p yesterday.

## Mercantile House

### Funding the big push

Mercantile House has won a strong following with its blend of international financial services since it came to the market at 160p two years ago and although the shares eased 20p to 838p yesterday, the £9.6m cash-call—the second-rights issue within a year—looks assured of a warm reception. The largest money broker in the world, Mercantile, has enjoyed another active year in the foreign exchange markets and supplemented by the steady stream of acquisitions, pretax profits more than doubled to £7.1m in the year to April 30.

More relevant for shareholders, who are being asked to dig into their pockets again, earnings per share still rose by over four-fifths to 51p, allowing a 40 per cent increase in the total dividend to 25p gross. So having last subscribed for new equity at 220p, shareholders are likely to be eager to take up their rights again in this latest issue which is equivalent to one-for-five at 690p on the existing capital, although a one-for-one scrip issue is also planned.

There are high hopes for the financial futures market in London, which its chairman has done so much to encourage, although the success of this venture which starts next year remains to be seen. But, meantime, Mercantile could be on course for £12m this year, to give a p/e ratio of under 12, while the ex-rights yield is 3.1 per cent.

New York

Edward Jefferson, a quiet-spoken 60-year-old British chemist with a doctorate from Kings College, London, yesterday launched the biggest corporate takeover bid that America, and probably the world, has ever seen.

In the latest round of a battle of corporate Titans which has had Wall Street on the edge of its seat for the past three weeks Du Pont, America's largest chemical company, which Jefferson now heads, has agreed to pay \$7,300m in cash and shares to acquire Conoco, America's ninth largest oil company, from the clutches of Seagram, the world's largest liquor company.

Given that Conoco sought the bid, the price at \$87 a share is considered generous and, with rival suitor Seagram unlikely to try to match the offer (having in April refused to enter a bidding contest for another minerals company, St Joe), the deal is likely to go through.

Seagram, meanwhile, with \$3,000m in cash to spend, will have to start hunting for a minerals company all over again. That, coupled with the price Du Pont is paying, could help bring depressed oil stocks back into favour.

Jefferson took over as chairman of Du Pont only earlier this year from the flamboyant Irving Shapiro, a corporate lawyer and vociferous supporter of President Carter. The change was significant since Shapiro's role in the 1970s had been to repair a Du Pont image tarnished by attacks from environmentalists. That mission accomplished, Jefferson was seen as the man to get the company moving again.

But even his friends have been surprised at the boldness of the Conoco move and by its speed. To the despair of Wall

Street, Du Pont has been searching for two-and-a-half years for a drug company to bolster its pharmaceutical operation, but nothing has happened.

Yet the Conoco talks began only on June 25 and have been brought to fruition in 10 days. The attraction of Conoco is its oil, gas and coal reserves, which together should guarantee that Du Pont always has the raw materials it needs to keep its huge synthetic fibre and plastic complexes running at a price it can afford.

In the short term this naturally means capitalizing on Conoco's oil reserves, which include the Marchion field in the North Sea. But Jefferson plainly has high hopes that a joint venture in gas exploration begun earlier this year will yield significant benefits.

In the longer-term Du Pont, like Seagram before it, sees the potential in Conoco's coal



Du Pont's Edward Jefferson launched America's biggest takeover.

Du Pont and Conoco are to merge

## How Mr Jefferson shook Wall Street

Conoco

Du Pont

HOW THEY PERFORMED IN 1980

	Principal activities	Sales	Net Income
Conoco	Oil and gas exploration and production	\$18,488m	\$1,026m
Du Pont	Chemicals, plastics, fibres	\$13,652m	\$716m

reserves, which are the second largest of any company in the United States. These will partly provide a source of revenue, as coal becomes an increasingly important and widely used fuel, and partly they will have a strategic value which may enable the company to barter them for increasingly scarce oil supplies.

But also, to judge from Jefferson's statement accompanying news of the bid, it is hoped that Du Pont's scientists, who already have an enviable record of research and development, will devise ways to use the coal either as feedstock for the chemical plants or for conversion into other synthetic fuels. The company plainly hopes to become a world leader in what it terms "coal conversion technologies".

Also singled out for special mention by Jefferson were the prospects for "improved tertiary recovery" in oil fields. This statement, though vague, suggests that Du Pont has made some progress in learning how to exploit oil fields more efficiently, either in getting out more of the oil that is there or in exploiting the coal which is too viscous (or even solid, like

shale) to be pumped out by conventional methods.

The Conoco chairman, Ralph Bailey, seems excited by this, too. Thanks to Du Pont's research and engineering skills, Conoco will be able to make much better use of its natural resources in the longer term, he says.

In spite of their initial surprise most Wall Street analysts approve of the deal and think Du Pont needed to do something dramatic to break out of its rut. Though the company cranked out industry (synthetic fibres) and revolutionized two others (gunpowder and plastics), it stagnated throughout the seventies. A dazzling array of household brand names, led by Orlon and Dacron, brought the company to a degree of complacency which was rudely shaken when the oil price increases of 1973 onwards sent the price of fibres spiralling and brought an abrupt collapse in the market.

But the lesson learned then makes it want Conoco now. Raw materials still account for roughly three quarters of the cost of synthetic fibres, which in 1973 accounted for about 40 per cent of Du Pont's sales and profits. But so severe

was the slump that two years later they accounted for only 2 per cent of profits.

That experience rocked the company and it is only in the last few years that it has regrouped and begun to diversify, so that it now has interests in pharmaceuticals, electronics and biotechnology.

But, however well these divisions do, the company is still dominated by its traditional activity in bulk chemicals and fibres and plastics, which together account for \$12,000m of last year's \$14,000m turnover. This merger secures Du Pont's lines of supply and so it looks strategically much better equipped to cope with the 1980s and 1990s. The core of its business, though it will never grow again as it did in the two decades after the war, will at least be stable or as stable as management can make it.

For Conoco, life as an independent subsidiary of Du Pont is likely to prove much less turbulent than it would have been had Seagram won control. Some 70 per cent of its business is in petroleum, 20 per cent in coal and 10 per cent in chemicals. This last category should fit snugly into Du Pont, while Conoco will be left alone to run 90 per cent of its activities as before—but with the help of a vast pool of scientific expertise and more stable marketing arrangements.

Though their businesses are different, both chairmen share a common optimism about the future of their companies and the growth of the United States economy and, though they did not say so, they also share the belief that oil and coal are far too valuable simply to be burnt—so valuable in fact that Du Pont was prepared to pay \$7,300m to stake its claim.

Anthony Hilton

## A nasty jolt for Chancellor Schmidt

Germany's 'Five Wise Men' are urging huge spending curbs. Peter Norman reports

West Germany's Chancellor, Helmut Schmidt, must be bitterly regretting his government's failure to tackle the problem of Germany's growing public sector deficit in the wake of last autumn's impressive election victory.

For yesterday, the Bonn government's Council of Economic Advisers produced a report urging spending cuts on a scale that goes far beyond anything previously debated in the political arena.

While the Bonn finance ministry has been talking of having cut spending next year by between DM15,000m (about £2,260m) and DM20,000m (£2,850m), the council, which is appointed by the government but is strictly independent in its views, wants a far-reaching reform of public finance, eliminating what it diagnoses as a structural deficit (that is, resulting from bad planning over the years rather than economic decline) of DM35,000m to DM40,000m by 1985.

The fact that yesterday's report was produced on the initiative of the "Five Wise Men"—a dent to the pride of the Bonn government. The Council is required by law to produce one report a year and can be requested to provide further reports by the government. But for the Five to produce a report on their own volition is rare indeed and will be taken by many in West Germany as a sign that the economy is in deep crisis.

Few deny that Germany has problems with its economy. The deficits run up by the federal, state and local authorities have grown rapidly since the oil crisis of 1973 and have defied the rather pusillanimous attempts of successive governments to bring them under control.

The current account balance of payments deficit is the highest in the western world and is likely this year to exceed last year's deficit of DM10,000m. But, in another report out

yesterday, the Organisation for Economic Cooperation and Development (OECD) argues that the German economy is doing better than most. Both inflation and unemployment are low by international standards. The OECD predicts an inflation rate of about 5.5 per cent this year, while the Five Wise Men expect average unemployment to rise to only 1.2 million.

So what is wrong with the economy? Inside West Germany, attention is focused chiefly on the state of the public finances. It is a concern that is fuelled in part by immediate political considerations—Herr Hans Maierhofer, the finance minister, is drawing up his plans through-out July for the 1982 federal budget—and deeper folk memories of Weimar.

Even before the publication of the Five Wise Men's report, it was clear that the 1982 budget would be a big test for the government. The recession has accentuated Bonn's steadily growing spending commitments and the economic slowdown has readily translated these into a still faster growing borrowing requirement.

According to the economic advisers, Germany's overall net public sector borrowing requirement will reach DM30,000m next year, unless action is taken to control it.

Herr Maierhofer is reported to be aiming for a 1982 limit on federal spending of DM24,000m, representing a rise of only 4 per cent in nominal terms compared with this year's spending level. His aim is to keep the federal government's net borrowing requirement down to DM25,000m next year and ensure that the

overall net credit uptake of the Bonn government, the federal states and the municipalities does not exceed the DM52,700m level recorded in 1980.

Comforting though these figures might seem at first sight, they are not being received in West Germany. They presuppose spending cuts of between DM15,000m and DM20,000m that are bound to be painful for individual interest groups and anticipate a transfer to the federal budget of DM5,500m to DM6,000m of profit from the Bundesbank.

Those German citizens with longer memories are even more concerned at the long-term trend in the public sector borrowing figures. In 1973, Germany's overall public indebtedness amounted to only DM167,800m, or 18.2 per cent of gross national product. By the end of last year this figure had risen to DM464,100m, or 33.8 per cent of gross national product.

Outside West Germany most

attention has been focused on the country's huge current account balance of payments deficit. The consequent fall in the value of the mark and the Bundesbank's need to raise interest rates to control as far as possible the flight of funds into the dollar have imposed a severe external constraint on economic and monetary policy.

The Five Wise Men take a sceptical view of recent signs of an export recovery. May's visible trade surplus of DM1,570m was disappointing compared with April's DM3,300m total. Furthermore, the Council of Economic Advisers gives warning that the international trade balance was also sluggish in May and that further growth in foreign demand is likely to be hesitant.

Here the economists in Bonn are more cautious than those at the OECD, who expect a marked improvement in the current external balance in the next 18 months and believe that

downward pressure on the mark will cease. The whole tenor of the advisers' report is that Germany's economic recovery must come from inside the country. It presupposes moderation in wage settlements and decisive government action to cut deficits, which will ease the pressure on interest rates and so induce increased investment.

Whereas the OECD report puts much hope on a removal of external constraints through an eventual recovery of the mark, the Five Wise Men tell the government that there are no taboos. Germany's social security system will have to be trimmed, the federal government must pay out less for the unemployed, the major areas of subsidy—such as agriculture, savings incentives, housing and railways—could be trimmed to save the state thousands of millions of marks.

For Chancellor Schmidt the Five Wise Men's report will be uncomfortable reading. Perhaps in Ottawa in two weeks time President Ronald Reagan will be able to give him some tips on how he got his package of budget cuts through Congress.

## Business Diary: Philately will get you everywhere

Anyone still labouring under the charming notion that stamp collecting is no more than a boy's hobby should take a close look at what is happening in connexion with the royal nuptials.

Diehard philatelists who want to put together a collection of every stamp, sovereign sheet and local label issued to mark the event will find themselves paying out at least £1,000.

What is more, some of the commemorative issues are coming from the most unlikely sources. Who, for instance, would have thought that North Korea, that most communist of republics, had decided upon a special selection of stamps to mark the wedding? Nevertheless, the North Korean Royal Wedding commemorative are on their way, alongside counterparts from at least 20 other foreign countries outside the Commonwealth, according to Stamp and Postal History News, the official journal of the British Philatelic Federation.

Money, rather than affection for the Royal Family, is behind the flourishing number of wedding specials, Guy Averyll, the magazine's editor, reckons. The prettier the stamps and the more august the occasion, the more they are likely to fetch from bright-eyed philatelists.

But with these bizarre specialities he worth anything? Surprisingly enough, the answer is yes, at least for some people. The magazine estimates that one British dealer has already made something of a killing. He persuaded the Government of Guyana to overprint 35,000 ordinary 1971 stamps with the words "Royal Wedding 1981"

and then bought 50,000 for about £100,000. The dealer has since sold his stamps to wholesalers, presumably at a high premium, and they are now retailing at between £14 and £16 a pair, or £36 for gutter pairs.

## Martell bouquet

Now it can be revealed: one of Valéry Giscard d'Estaing's last acts before burning the contents of his presidential filing cabinet was to nominate Reno Martell, president of the brandy house which bears his name, for that superlative award, the Legion d'Honneur.

Martell, though a friendly soul, is probably too much of a capitalist to be elevated by the new French government, so he now tries to have passed the post just in time.

His award is in recognition of Martell's contribution to exports. The company sold two million cases during the financial year which ended on June 30—an all-time record.

Some 95 per cent of the company's turnover is in exports, with the United Kingdom the top market, followed by Hong Kong and America. France comes fourth.

## Invaders defeated

The video boom has gone the way of all fads. Associated Leisure, the leader in amusement machines, was yesterday told why group profits have (again) not hit the jackpot. In the year to mid-March they fell from £5.3m to £4.6m.

AL thought that the "Space Invaders" boom would last 18 months and "Prodrome" consultants that they are, wrote off 75 per cent of their first year. In fact, the boom went on for 15 months and they went on to lose almost exactly 12 months.

A creaking cascade has turned to a trickle. The average weekly take of a machine has fallen to £37 from £50. Both supply and demand were to blame. Space invading does not count as gambling and every small-time operator offered video machines to publicans on the basis that they could not lose.

They, and their landlords, the big brewers went along. Now customers know how to play these machines, unemployment makes them count their 10p coins, and one-arm bandits now offer a better deal than before. No successor to video games is in sight—except, says Associated Leisure, eagerly, video fruit machines.

## No, Minister...

Jane Eley does not look the sort of person to go around beating politicians on the pate, at least not to these eyes.

But I have it all on record from Gerald French, director of the British Clothing Industries Association. We'll miss her, he said, sadly on hearing of Eley's impending departure.

She's marvellous at hitting ministers over the head. The 29-year-old Eley has been one of the British textile and clothing industry's most forceful



Jane Eley.

supporters as the association's liaison officer and government relations secretary.

One trusts that French was describing her methods of governmental liaison only metaphorically, though the British clothing industry needs all the help it can get at the moment in its negotiations on a new Multi-Fibre Arrangement.

She is leaving in the hope of getting a job in Spain that will give her both another string to her linguistic bow and also provide some commercial experience.

## Name games

Job titles in some industries can be misleading and a London company has now decided to change some of its own to bring them up to date and to make them more easily recognizable.

Karar Munde, chairman (and to be president) of London Tea and Produce Company, explained: "Dennis O'Connor, for example, is our national accounts manager, but has, of course, nothing to do with the accounts department. He is a senior sales executive and his new title will be vice-president, sales."

This is more in keeping with the job he does and as we do a lot of business with the Americans it gives them a better image of his status."

Two more vice-presidents, sales, will be Steven Boyes, now director of sales development, and Barry Proctor, marketing manager.

Munde said: "In the old days these titles were acceptable but now could deny a top man entrance to his possible new clients."

I know that day should never come, but there does come a time when one cannot resist a nibble. Last Friday, a certain pink financial journal made great play of how one of its own reporters to the effect by BL of its Alois subsidiary to United Scientific Holdings. Imagine the surprise of a reporter from another paper who asked USH managing director Peter Levene if this was true, only to be shown the newspaper cutting which really set his heart on Alois. Unfortunately, it was on white paper and the name on the top was none other than our own Edward Townsend's.

David Hewson

## Electronic Rentals Group

"There is a bright future ahead for our rental companies both at home and overseas"

Maurice A Fry, Chairman

★ Group turnover at £182m shows an increase of 5% over the previous year. The UK rental activity, comprising Visionhire and British Relay Electronics, contributed a 6% increase and the overseas rental companies a 32% increase.

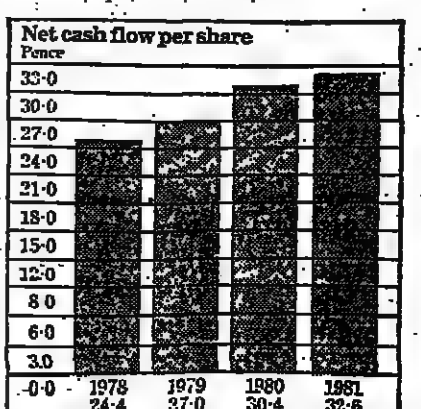
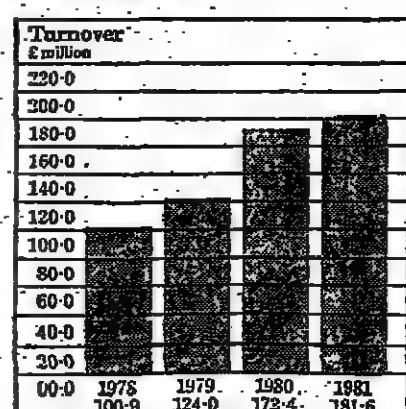
★ Although high interest rates prevailed throughout the year, interest costs have been contained and at £13.1m were only £0.4m higher than last year due to more effective use of working capital and the careful monitoring of capital expenditure.

★ Group profits before taxation showed an increase of 21% from £12.2m to £14.7m.

★ The treatment meted out to rental companies, which is a by-product of understandable legislation to close taxation loopholes involving leasing, is harsh and inequitable. Unless a more rational approach to taxation allowances for rental companies is adopted there could be far reaching effects for the British television manufacturing industry.

★ There was a significant decrease of £14.4m in borrowing and this was after drawing in additional borrowings of £6.8m as a result of acquiring new subsidiaries.

★ In the medium and long term I have confidence that with all the new developments associated with the television set, such as Pay-TV, direct satellite broadcasting, video cassette recorders, video disc players, Teletext and Videotex, there is a bright future ahead for our rental companies both at home and overseas.



Copies of the Annual Report are obtainable from The Secretary, Electronic Rentals Group Limited, Electronic House, Churchfield Road, Weybridge, Surrey KT13 8DR.



## Employee's mileage allowance is taxable

*Perrons v Spackman (Inspector of Taxes)*

Before Mr Justice Vinelott  
[Judgment delivered July 6]

A mileage allowance of 11.4p paid by a company to one of its employees in respect of the use of his private motor car on official business, is an "emolument" of his employment within the scope of section 183 (1) of the Income and Corporation Taxes Act, 1970, and is chargeable to income tax.

Furthermore, even though such an officer is required to use his own car on council duties, section 189 (1) of the Act does not entitle him to deduct the whole of the expense he incurs in putting it on the road and maintaining it. Only the cost of petrol used on business journeys and an apportioned part of the cost of servicing and repairs are allowable deductions. The Crown conceded that an apportioned part of the cost of licensing and insurance is also allowable.

His Lordship so held in dismissing an appeal by the taxpayer, Mr Charles Albert Perrons, from a determination of special commissioners that the sum of £569 paid to him as car allowances should be included in his emoluments. They allowed a deduction of £115 as being the cost of using his car on official journeys.

The case was brought as a test case by the National and Local Government Officers' Association.

The taxpayer was a rent officer employed by Nottingham County

Council. In the course of his work he used his car to visit properties for which a fair rent had to be fixed. He received an "essential user allowance" of 11.4p per mile and a lump sum payment each year calculated by reference to his car's engine capacity.

For 1976-77 he was assessed to income tax under Schedule E in the sum of £5,950. He appealed against the assessment seeking to deduct both the lump sum of £220 and the mileage allowance of £149.

Section 183 (1) provides that tax under Schedule E shall be chargeable "on the full amount of the emoluments falling under that Case, subject to such deductions only as may be authorized by the Tax Acts, and the expenses incurred in the performance of the duties of the office or employment, or of keeping and maintaining a horse or vehicle used in the performance of the duties, there may be deducted from the emoluments the expenses so necessarily incurred and defrayed."

Section 189 (1) provides: "If the holder of an office or employment is necessarily obliged to incur and defray out of the emoluments the expenses of travelling in the performance of the duties of the office or employment, or of keeping and maintaining a horse or vehicle used in the performance of the duties, there may be deducted from the emoluments the expenses so necessarily incurred and defrayed."

Mr Michael Musgrave for the taxpayer, Mr Robert Carnwath for the Crown.

MR JUSTICE VINELOTT said that the taxpayer accepted that the £220 lump sum was an emolument but not the 11.4p mileage allowance. He founded his

argument on the House of Lords decision on *Pook v Owen* ([1970] AC 244) allowing a doctor's claim for travelling expenses between home and hospital when on call for emergency cases.

But the decision there that the car allowance was not an "emolument" was based on the assumption that the allowance was no more than the reimbursement of the cost incurred by the doctor in travelling from his home to the hospital.

The mileage allowance paid here was not reimbursement of expenses actually incurred: it included a significant contribution to the overhead cost to the taxpayer of putting his car on the road and maintaining it for his own private use as well as for use on official journeys.

The special commissioners' determination on the mileage allowance was correct. It was therefore necessary to consider the taxpayer's case that the whole cost of running his car was a permissible deduction from his emoluments under section 189. He contended that he was necessarily obliged to incur the whole expense involved in putting his car on the road and maintaining it because his employer considered it essential that he should have his own car available for official use.

The commissioners had rejected that argument, pointing out that although he received an "essential user allowance" indicating that his employer considered it essential for the efficient conduct of business that he should use his car, it was not a condition of his employment that he should provide his own car for official use.

Even if the taxpayer could show that he was contractually obliged to use his own car, it would be impossible to say that the whole cost of running it would be one he would have been necessarily obliged to incur as part of the expenses incurred in performing his duties.

The ownership of a car made officers in the taxpayer's position more useful to the council and that doubtless was why it was prepared to pay allowances on a scale, which covered part of an officer's overheads and so reduced the cost to him of keeping a car. It did not make the whole expense an expense incurred in the performance of his duties.

It was accepted by the Crown that the cost of servicing and repairs were apportionable. It was not obvious that the cost of licensing and insurance - which the taxpayer would have incurred in any event since he used his car for his own private use - was apportionable, but the Crown had conceded that matter.

The appeal was dismissed with costs.

Solicitors: Miss Penelope Grant; Solicitor of Inland Revenue.

*Power Carbur International Ltd v The National Bank of Kuwait SAK*

Before Lord Denning, Master of the Rolls, Lord Justice Griffiths and Mr Justice Waterhouse  
[Judgments delivered July 3]

The proper law of an irrevocable letter of credit issued by the Bank of Kuwait payable against documents in North Carolina, was the law of North Carolina. The bank was held by the Court of Appeal to be bound to pay in accordance with its obligations notwithstanding that a court in Kuwait had made an order of provisional attachment, preventing further payment under the letter of credit.

The Court of Appeal in reserved judgments allowed an appeal by plaintiffs, Power Carbur International Ltd, of North Carolina, against Mr Justice Parker's imposition on March 27 of a stay upon his judgment and Order 14 of the Rules of the Supreme Court in favour of the plaintiffs for US \$75,794 or the sterling equivalent at the time of payment with interest from December 25, 1980 at the minimum lending rate of the Bank of England plus 1 per cent against the defendants, the National Bank of Kuwait SAK.

A cross-appeal by the bank against the judgment against them was dismissed.

Leave to appeal to the House of Lords was refused.

Mr Peter Crosswell for the plaintiffs; Mr Andrew Longmore for the bank.

The MASTER OF THE ROLLS said that the case was important for international trade. The plaintiffs exported goods from the United States to be paid for by a letter of credit issued by the National Bank of Kuwait. The bank was held to honour its obligations. But the courts in Kuwait had forbidden the bank to pay.

The letter of credit advised their "irrevocable credit" through North Carolina National Bank in Charlotte, North Carolina in favour of the plaintiffs. It had long been established that when a letter of credit was issued and confirmed by a bank, the bank must pay if the

documents were in order and the terms of the credit satisfied. Disputes between buyers and sellers must be settled between themselves: see *Edward Owen Engineering Ltd v Barclays Bank International Ltd* ([1978] QB 159, 169).

In the present case the Kuwaiti buyers filed a claim in the Kuwaiti courts against the sellers and had obtained an order for "provisional attachment" of the sums payable under the letter of credit.

The order prevented the bank from making any further payment under the letter of credit in or outside Kuwait.

The proper law of the contract, the law with which the contract was most closely connected, was the law of North Carolina where payment was to be made against presentation of documents. *Offshore International SA v Banco Central SA* ([1977] 1 WLR 399) was rightly decided. A debt under a letter of credit was payable against documents. A letter of credit was like a bill of exchange given for the price of goods. It ranked as cash and must be honoured.

If the courts of any country interfered with the obligations of one of its banks it would strike at the heart of that country's international trade.

It was part of the law of international trade that letters of credit should be honoured and not nullified by an attachment order at the suit of the buyer.

The courts of England were not bound by the county of nations to recognize the "provisional attachment" issued by the courts of Kuwait. A stay of execution should not be granted.

The judgment in the action which the plaintiffs had brought in England, where they had a legitimate juridical advantage, would operate against the branch of the bank in London so as to require it to pay the sums due under the letter of credit.

The cross-appeal should be dismissed and the appeal allowed. Lord Justice Griffiths and Mr Justice Waterhouse, who had reservations on the *lex situs*, agreed.

Solicitors: Jacques & Co; Allen & Overly.

## Peril of property orders becoming apparent

*Carson v Carson*

Before Lord Justice Ormrod, Lord Justice O'Connor and Mr Justice Sheldon  
[Judgments delivered June 25]

The Court of Appeal held that a wife for whose benefit a settlement of property order in the form of *Mesher v Mesher* (The Times, February 13, 1973) had been made under section 24(1)(b) of the Matrimonial Causes Act, 1973, was not entitled, six years later, to an order transferring the entire property to her under section 24(1)(a) or to leave to appeal out of time from the settlement order.

The court refused leave to Mrs Time Anne Carson to appeal out of time from the order of Mr Justice Payne in May 1975 that, inter alia, Mr David Carson convey the matrimonial home to trustees on trust for sale, the proceeds to be held for the husband and wife in equal shares and the sale to be postponed until the death or remarriage of the wife or until each of the two children attained the age of 18 or complete full-time education, whichever was earlier. The court also dismissed the wife's appeal from the decision of Mr Justice Ewbank in February 1981 that he had no power to make a transfer of property order in her favour.

Mr J C J Tatham for the wife; Mr Michael Irving for the husband.

LORD JUSTICE ORMROD said that Mr Justice Payne made an order against the husband for periodical payments, as well as the settlement of property order. It was agreed that the wife should stay in the matrimonial home with the children and that the husband should leave.

The wife's position was difficult. She was unemployed, the children were growing up, and she wanted security in the future.

hence the application to Mr Justice Ewbank for a transfer of the complete interest in the matrimonial home to her in return for her forgoing periodical payments.

Mr Justice Ewbank remitted the matter to Mr Justice Payne, saying that the remainder not yet enforced until the house was sold. He held that he had no power to transfer the house to the wife.

Mr Tatham argued that the fact that there had been a settlement order under section 24(1)(b) of the 1973 Act did not preclude a later application for a transfer under section 24(1)(a). But in reality it was an attempt to get a second settlement of the same asset.

That would run counter to section 31 of the Act, which gave no power to courts, in divorce proceedings, to vary property settlement orders. The judge was right.

Mr Tatham therefore fell back on the application for leave to appeal out of time from Mr Justice Payne.

It was only in exceptional cases that appeals should be permitted long out of time, since by then everyone would have acted on the assumption that the original decision was right.

His Lordship had great sympathy with the wife, who had suffered and would suffer. The case was a good example of the chickens unleashed by the *Mesher* orders that were so fashionable in the mid-1970s, coming home to roost. It was not for some time that the dangers of that type of order came to be apparent. In eight or nine years' time the wife would be obliged to sell the matrimonial home, and with only half the proceeds of sale she would be in a most unfavourable position to rehearse herself.

Lord Justice O'Connor and Mr Justice Sheldon delivered concurring judgments.

Solicitors: Whitlock & Sons; Malkin, Cullis & Sumption.

## No basis for Mareva injunction when assets outside jurisdiction

*Intraco Ltd v Notis Shipping Corporation of Liberia*

Before Lord Justice Donaldson and Lord Justice Ackner  
[Judgment delivered June 19]

A Mareva injunction imposed on money payable under a guarantee of an English bank was discharged by the Court of Appeal because the guarantee provided for payment, not inside, but outside the jurisdiction.

Their Lordships dismissed an appeal by Intraco Ltd, a Cypriot company, and allowed a cross-appeal by Notis Shipping Corporation of Liberia, from an order of Mr Justice Staughton restraining Notis Shipping from removing not more than \$50,000 from the jurisdiction, pending the determination of arbitration proceedings against them brought by Intraco.

Mr Richard Aikens for Intraco; Mr David Donaldson for Notis Shipping.

LORD JUSTICE DONALDSON, delivering the judgment of the court, said that the dispute concerned the sale of a ship, "Notis", now renamed "Bhoja Trader", to Intraco.

The agreed price was US \$810,000. A deposit of \$41,000 was paid, \$369,000 was paid on delivery and the balance (\$400,000) was payable within 90 days of delivery by means of a bank guarantee given by the London branch of Banque de l'Indochine et du Suez.

Shortly after delivery the vessel was arrested in Calcutta and Intraco had to provide security amounting to \$200,000 to obtain her release.

It took a little time to provide the security, and Intraco claimed that that led to their suffering large losses through cancellations of cargo bookings. Arbitration proceedings had been begun in

London by Intraco against Notis Shipping, alleging breach of the contract and claiming damages.

Notis Shipping had no assets in England other than their rights under the bank guarantee. Accordingly, Intraco applied to Mr Justice Robert Goff for an injunction restraining the sellers from calling upon the bank to make payment. The injunction was granted in order to hold the position.

The later parties proceedings were heard by Mr Justice Staughton, against whose decision Intraco appealed and Notis Shipping cross-appealed.

The judge refused to continue the injunction restraining the sellers from calling upon the bank to make payment under the guarantee, but granted a Mareva injunction restraining the sellers "until further order from removing from the jurisdiction or otherwise disposing of any of their assets and in particular moneys payable under [the bank] guarantee... save in so far as the same exceeded the sum of US\$50,000".

In refusing to interfere with the sellers' right to call upon the bank to make payment under its guarantee, the judge acted in accordance with the well established principle that the court would not grant such an injunction unless there was fraud. However, the judge found that the sellers had committed fraud.

Both from the point of view of the payer and that of the payee, payment in one country could be a very different matter from payment in another, where, for example, exchange controls were in operation. If the guarantee was to be, as it must be, treated as cash in Greece, it would be a very different matter from payment in another country.

Mr Aikens submitted that the asset was a chose in action whose situs, under English rules of the conflict of laws, was in London. Their Lordships agreed, but to give relief to that argument would involve interfering with the rights and obligations of the bank vis-à-vis the beneficiary of its guarantee and that, as it had been shown, was contrary to principle.

Solicitors: Ince & Co; Holman Fenwick & Williams.

## Time of disposal under a contract for capital gains tax

*Johnson v Edwards (Inspector of Taxes)*

Before Mr Justice Vinelott  
[Judgment delivered July 1]

A binding contract made in 1965, prior to the introduction of capital gains tax, providing for the sale of shares in 1971, attracts liability to the tax because the disposal date is to be the date of the actual transfer and not the date of the contract. Paragraph 10 of Schedule 10 to the Finance Act, 1971, cannot apply so as to antedate an actual disposal in 1971 to the date of a contract entered into before the Act came into effect.

His Lordship so held in dismissing an appeal by the taxpayer, Mr Louis Cropper Johnson, from a determination of special commissioners confirming an assessment to capital gains tax made on him for 1971-72 in the sum of £27,372.

Paragraph 10 of Schedule 10 provides: "... where an asset is disposed of and acquired under a contract the time at which the disposal and acquisition is made is the time the contract is made (and not, if different, the time at which the asset is conveyed or transferred)".

Mr G. R. Bretton, OC, for the

taxpayer; Mr John Mummery for the Crown.

MR JUSTICE VINELOTT said that under a binding contract entered into on February 25, 1965 the taxpayer agreed to dispose of 1,500 shares in a company that he and his wife owned. The actual disposal did not occur until some time between April 22 and 29, 1971.

He appealed against an assessment to tax in respect of the gain accruing on that disposal, contending that the effect of paragraph 10 was to treat the actual disposal as having taken place on the date of the contract before the introduction of the tax.

Capital gains tax was introduced in 1965 and between 1965 and 1971 it had been an open question whether a contract for the sale of ascertained property at some future date was itself a disposal of that property. Paragraph 10 was intended to resolve that issue.

The commissioners had rejected the taxpayer's argument on the ground that it would have the effect of making both paragraph 10 and also section 56 of the 1971 Act have a retrospective effect that was not intended by the legislature.

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